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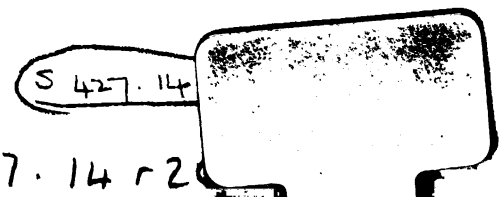

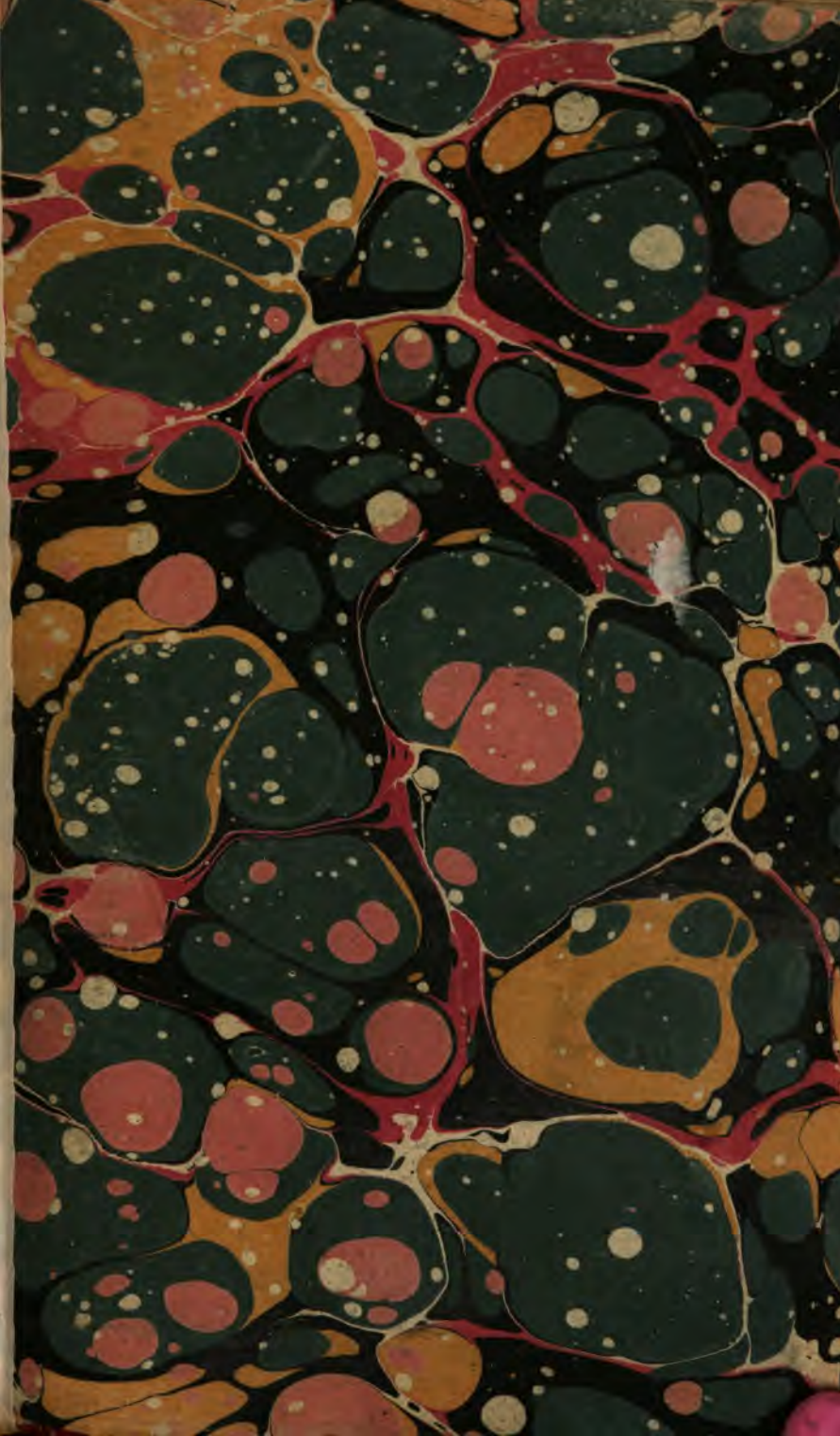

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THOUGHTS

ON THE

MONEY AND EXCHANGES

OF

LOWER CANADA.

BY HENRY S. CHAPMAN,

(AUTHOR OF A STATISTICAL SKETCH OF THE CORN TRADE OF LOWER CANADA.)

MONTREAL:
PRINTED AT THE MONTREAL GAZETTE OFFICE,
25, NOTRE DAME STREET.

1832.

5.427.14 v 20

Stevens & Stiles
£1.15.

TO

SAMUEL REVANS

AND

JOHN W. DUNSCOMB, ESQUIRES,

THE FOLLOWING PAGES,

THE RECORD OF OUR CONVERSATIONS ON

THE SUBJECT TREATED OF,

ARE DEDICATED,

BY THEIR SINCERE FRIEND

THE AUTHOR.

QUEBEC, *September*, 1832.

THOUGHTS

ON THE

MONEY AND EXCHANGES

OF

LOWER CANADA.

INTRODUCTION.

It will be recollected, that in the early part of the year 1830,—in consequence of a passage in the speech of Sir James Kempt, having reference to the state of the Currency,—both houses of the Provincial Legislature appointed Committees to hear evidence on, and inquire into the monetary system of Lower Canada.

These Committees reported the results of their labours, but, unfortunately, little has been practically effected thereby. On examining the reports, this will not be deemed surprising. The facts collected are few in number, and no important conclusions are drawn from them. We learn, that certain coins pass current in Lower Canada at rates above their value; the evil is duly expatiated upon; but accompanied only by a feeble recommendation "that they "should be called in at the public expense, under safe-"guards against their not having been introduced into the "Province in order to profit by such deterioration."* What safeguards are sufficient is not pointed out, though it was a question evidently within the province of both Committees; in fact, generally, the Committees content themselves with declaring, that it is advisable to do what they themselves were expressly appointed to do, and so putting off, *sine die*, the business of inquiry. We are further told that the weight and purity of the Spanish dollar, having been reduced, our par of exchange is no longer correct; but,

* Council's Report, page 12, 8vo. ed.

although much evidence was collected, no attempt was made to set the public right on the point. It is true the evidence was contradictory; one witness stating the dollar to be worth 4s. 1d. to 4s. 2d., another 4s. 3d., a third 4s. 4d., and a fourth that it would require £115$\frac{5}{13}$ currency to make £100 sterling—thus making the dollar worth 4s. 3½d$\frac{1}{4}$.58. No attempt was made to establish, by a reference to general principles, which,—if any,—of the above rates is correct, though there is no principle of the science, within whose province such questions come, better,—more fairly and fully established than that which would have led,—and by no very intricate road either,—to the truth.

Hence it will appear that the "Lower Canadian Currency question" stands nearly as it did before the Committees sat. Its deranged state is still complained of, but the extent and direction of that derangement is, as yet, wholly undetermined and but vaguely conceived. These points it will be the object of this paper to clear up; the evidence collected by the Committees, especially the *documentary part*, some of which appears valuable, will be submitted to a careful examination; and after adding such further evidence as I can command, and which may tend to elucidate the inquiry, I shall endeavour to point out a remedy for the acknowledged evils, of easy practical application.

CHAPTER I.

On the state of the Coins in circulation.

As the actual state of the coins in circulation in the Province forms no inconsiderable portion of the inquiries of both Committees, let us, without preface, direct our attention thereto.

I need scarcely remind the reader, that the integer of account in Canada is the £ currency consisting of four Spanish dollars, its subdivisions being as those of British money, into shillings and pence; the dollar, consequently, being called five shillings.

The coins chiefly met with in circulation are as follows:—Spanish dollars, and a few American, 5s.,—American half dollars, and a few Spanish, 2s. 6d.,—Spanish and American quarter dollars, 1s. 3d.,—Spanish one-eighth ditto, 7½d.,—Spanish one-sixteenth ditto, 3½d.,—American 10 cents,

one-tenth ditto, 6d.,—French crown pieces, 5s. 6d.,—French half-crown ditto, 2s. 9d.,—Pistareens, (formerly 1s. now) 10d.,—Half Pistareen, 5d.,—together with some few others, occasionally, though very rarely seen, such as five franc pieces, 4s. 8d.,—old Spanish quarter dollars without pillars, 1s ,—English bank tokens of 1812, 3s., 1s. 6d.,—and Irish 10d. and 5d., now, I believe, generally refused.

Three questions appear to me to include all that is meant by "*the state of the coins in circulation.*"

First, Which of the coins in circulation are debased?

Second, What is the extent of their depreciation?

Third, What proportion does the depreciated bear to the sound part of our currency?

The two first questions, it will be seen, form but one subject for inquiry.

In estimating the value of the several coins in circulation, the dollar of 60 pence is assumed as the standard into which all the rest are resolved. Here the Committee of the Legislative Council has the merit of having adopted the right course,—*actual experiment.*

"The weights of the coins were ascertained by actually weighing the quantities thereof so specified, respectively taken at hazard.

The following are the results of the experiment above alluded to:—

		oz.	*dwt.*	*grs.*		*grs.*	*value.*
1000	Spanish dollars were found to weigh	865	1	8	average	415,	ea. 5*s.*
2000	U. States half dollars,	865	18	2	"	207 16-20,	ea. 2*s.* 6d.
4000	Spanish quarter do.	829	19	6	"	99 1-2,	ea. 1*s.* 2 1-3d.
5000	Pistareens	804	1	2	"	77 9-50,	ea. 0*s.* 11 8-50d.
1000	French crowns	928	0	4	"	445 4-10,	ea. 5*s.* 4 1-2d.
2000	French half do.	863	4	6	"	207 1-6	ea. 2*s.* 5 1-4d.

Strictly the values of the several coins will be as follows: that is, taking the data of the Committee, and supposing the standard of the silver contained in the coins to be the same as the Spanish standard. It will be seen that some trifling errors have crept into their calculation:—

	D
United States half dollar	30.04
Spanish quarter dollar	14.88
Spanish pistareen	11.157
French crown	64.53
French half crown	29.92

French old standard, however, is rather better than Spanish; containing 1 dwt. less of alloy.

The French crown, when unworn, weighed 450 grs., and contained 403·1 grs. of pure silver. The coin in circulation in Canada, has lost 4·6 grs. of its weight, allowing for which it will be found to contain 398.9 grs. of pure silver, giving 5.4½·1 for its true value. In like manner, the half crown having lost 17·83 grs. will be found to contain only 185.5 grs. of pure silver, making its value 30·008. Hence the

French crown is depreciated	.....	2 1-4	per centum.
Spanish quarter dollar "	.....	4 1-7	" "
Spanish pistareen "	.....	7 1-8	" "
French half crown "	.....	9 1-10	" "

The state of the copper coins current in Lower Canada also demands notice. At the time the Committees sat, complaints of the trash passing as copper coin, were very general. It was also said they were in excess. If any thing, their condition is now worse—they consist chiefly of old and broken copper coin of all nations: tokens, and, probably, bits of copper, which never were meant for coin. But they are in decided scarcity, so much so, that the Quebec Bank paid 2½ per cent, very recently, for some. Indeed, it is difficult now to get a shilling's worth of coppers. Of the recent importation of pence, halfpence, and farthings, the latter will, most likely, find their way into Lower Canada, where they pass for a halfpenny. A good copper coinage to replace the above will be considered in Chapter IV.

The proportion which the depreciated portion bears to the sound portion of our currency may be ascertained with accuracy from documents furnished by the report of the Committee of the Assembly.

In the Appendix A, will be found a statement drawn from the above report, showing the amount of each description of coin in the Public Chest, on the 1st January, 1830, and also the *average amount* of each in possession of the Banks of Montreal and Quebec.

As the receiver of the Customs is strictly enjoined to refuse all but Spanish and American dollars and half dollars for the Crown duties, and as these form a very considerable portion of the monies paid by the Collector into the hands of the Receiver General, it must be obvious that the state of the Public Chest cannot be admitted as evidence of the proportion which each coin bears to the whole volume of the currency. The two Banks, however, receive and pay all coins in circulation indifferently, making, doubtless, what

efforts they are able to keep Spanish and American money in their hands as long as possible, because they are perpetually being called upon by their best customers, the West India merchants, for supplies thereof for Crown duties; these very demands are continually preventing their possessing any great excess of such coins, and so neutralizing—if we may be allowed the expression—all their efforts; so that, *on the average*, the coins held by the Banks will exhibit a tolerably just view of the proportion which each coin bears to the whole currency. Calling the whole currency 1000, no less than 671 parts are of the sound portion thereof, the rest being composed of coins more or less depreciated.

If we include the contents of the Public Chest the proportion of the sound portion will be still greater, namely, 680 parts in 1000. The additional proportion of dollars and halves has been already accounted for by the circumstance that the Government receives those coins only for the duties which hitherto it has claimed to appropriate.

Having now traced out the state of the currency of Lower Canada; having shown what coins pass above their value, and how much; it remains to inquire what effects must result from such a state of things.

The effects of employing a currency consisting of various coins, some passing above and some at or below their value, would be precisely analogous to the evils arising from the employment of two metals, both as standard money, where the relative value of the said metals had departed from the fixed proportion. These evils are so forcibly and accurately described by a popular writer, that I shall adopt his words.

"Some nations have made use of two metals, gold and "silver, both as standard money, or legal tender to any "amount.

"For this purpose it was necessary to fix a certain rela- "tive value between them. A certain weight of the one "was taken to be equal in value to a certain weight of the "other.

"If the proportion thus fixed for the coins were accu- "rately the proportion which it obtained in the market, "and continued so invariably, there would be no inconve- "nience in the two standards."

So far the case does not apply to coins passing above their value estimated in the basis of the currency. It is only where the relative value of the two metals is destroy-

ed that the supposed case applies to the currency of Canada. To resume,

"The relative value, however, of the two metals in the "market is fluctuating. Suppose that the value fixed for "the coins is that of 15 to 1, in other words, that 1 piece of "gold is equal to 15 pieces of silver of the same weight. A "change takes place in the market, and this value becomes "16 to 1. What follows? A man who has a debt to pay "equal, let us say, to 100 of the gold pieces, or 1500 of the "silver, finds it his interest to pay his debt not with gold. "With his 100 gold pieces he can go into the market and "purchase as much silver as may be coined into 1600 "pieces; with 1500 of which he may pay his debt, and re-"tain 100 to himself. In this manner silver would be mul-"tiplied; and the quantity of the currency would be in-"creased; its value would, therefore, be diminished; the "gold in coin would thus become of less value than in bul-"lion; hence, the gold coins would be melted, and would "disappear."*

What follows only supposes the case of fluctuation the other way. It is quite unnecessary to quote farther, the reader will readily apply the reasoning contained in the above passage to the case of the depreciated coins now current in Canada.

If a sufficient number of crowns, half-crowns, quarter of dollars, pistareens, &c. could have been procured from places where they passed at or under their value, they would long since have displaced all our more valuable coins. In this case, the rate of exchange would have risen against us to the amount of the depreciation: thus, if 8 per cent† be now the rate which is necessary to make up the difference between the nominal par and the real par value of our currency, and if, say, French half-crowns wholly filled up the channels of our circulation, then 9 per cent would be to be added to the rate of exchange, whatever it might be—say 8 per cent—and 17 per cent premium (or 8 + 9 per cent fluctuation being from 15 *a* 19, as now from 6 *a* 10) would be the ordinary average par value of our currency.

The fact that we have still so large a portion of good and faithful coins in circulation is proof either that America

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* Mill's Elements of Political Economy, third edition, page 141-3.
† *Vide* supra, chap ii. sect. 1. par. 8.

does not contain a sufficiency of those coins to fill our channels of circulation, or that they are current elsewhere at higher, or, at all events, the same rates. The former is the case with all the depreciated coins; on some of them the latter also operates as a cause of exclusion.

In the United States of America the French crowns and half-crowns pass for a dollar and half a dollar only; the consequence is that those coins are rarely seen. The same is the case in Upper Canada,* and, we believe, in Newfoundland. At what rate they pass in other parts of British America we have no information; hence, we are driven to the conclusion, that we have in circulation and hoarded nearly all the French crowns and half crowns in America.†

With regard to the pistareens, they now come under the second supposition,—they pass elsewhere higher than in Canada; before their reduction they came under the first. The coin, it has been seen, is intrinsically worth $11\frac{157}{1000}$d. or say $11\frac{1}{6}$d.; while it was current here at 12d., it was limited in Nova Scotia to 11d., hence, all that could be procured passed into this province. So many were current in the cities of Quebec and Montreal, that they were felt to be an inconvenience. An outcry was, accordingly, raised

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* Demand for Lower Canada has raised French crowns in Upper Canada to a premium.

† A gentleman, to whom the MS. of this article was shown, and whose opinions are entitled to attentive consideration, has suggested, that "a more particular "assignment of the reasons which prevent the inferior coins from driving out of "the market those whose intrinsic value equals or surpasses their nominal va-"lue" would be desirable. I have, accordingly, looked over what I had written, but can find nothing to add to what is stated above, in the shape of an additional reason to account for the fact, that the base coins *have not* usurped the place of the sound coins. The general law that inferior coins will, if allowed to pass concurrently with the superior, entirely usurp their places, appears to me true. Then comes the objection, that in the case of the inferior coins of Canada that effect has not taken place,—followed by the question—and why? The only solution that can be offered appears to me to be that given in the text; namely, 1st, That there are not enough to be found in America to fill the channel of the circulation; 2d, That some of them pass elsewhere at equal rates. The trade of the country requires a certain volume of circulating medium; that volume cannot be supplied by the debased coins,—they being able to afford about *one-third* only,—the rest, therefore, is made up of the only coins to be had, namely, dollars and half-dollars. Another consideration is, that there was an actual demand for a certain number of pistareens, as a subsidiary coin; that number, whatever it was, would be able to pass at a rate considerably above its value, without the slightest inconvenience. The British silver is *debased* 10 per cent without being *depreciated*. To my mind these make up a satisfactory explanation of the fact, I trust they will do so to that of the reader and of the intelligent objector.

against them,—they were stigmatised as "the rotten part "of our currency," and the 10th and 11th of Geo. IV. cap. 5, effectually drove them out of the market, by declaring them to be current at 10d. only. In New Brunswick they bear the same value, and even there they are a legal tender to the extent of 5s. only. In the United States they pass for 17 cents, equal to $10\frac{2}{10}$d., Halifax Currency, whilst in Nova Scotia they are valued at 11d., hence, by that Colony they are nearly all absorbed,—absorbed, not because they over value them, as we formerly did, but because all surrounding States undervalue them.

Like all bodies of men, ignorant of the matter before them, and acting without any fixed principle, our lawmakers have deprived the country of what might have been a most useful coin for no earthly reason, but that there was a prejudice against it. In attempting to rectify *an acknowledged error*, the Council and Assembly overstepped the line of truth, and created an error exactly equal to that which existed before. It is, doubtless, a bad thing to have a coin passing as the pistareen did, unless as a subsidiary coin, limited in quantity; but as depreciation was not a property of the coin itself, it could not amount to a reason for abolishing it.

In the mode of effecting this there is much to condemn. In the earlier times of European history, before civilization, and its concomitants, education and a press tolerably free, had put a stop to glaring acts of rapine and public robbery, the nominal value of a currency was frequently raised, and sometimes, though seldom, lowered to suit the sinister purposes of despotic governments. Latterly, however, such acts of aggression have been extremely rare in Europe,—in Great Britain wholly unknown. There are, it is true, still to be met with, men sufficiently barefaced to speak in favour of a depreciated currency; but, fortunately, the honest part of the community is too many for them. Since 1819 every act of the Legislature relating to the currency has tended to promote its integrity; and it is only by a very complicated plan of operations that such frauds can be effected.

In England, when the coinage, or any portion thereof, becomes depreciated by wear to an extent to affect the exchanges and the price of bullion; and it is decided to call it in and issue another, it is invariably done at the expense of the community. The measure is a public benefit,—the re-

moval of a public nuisance; by the public at large,* therefore, and not by any small portion thereof should the loss be borne. The monstrous fraud of inflicting the loss on holders could never have been carried into effect in a country where the bulk of the population was in a situation to profit by an independent press, and where that press did its duty. Where the great mass of the people, however, is destitute of the elements of knowledge, there is but little demand for an efficient press,—a people's only safeguard; they are constantly open to the most barefaced robbery of the most bungling plunderers. In England, I do not hesitate to say, the press, in a body, would have condemned the measure, denouncing its promoters and supporters as open promoters of fraud.

Most of my readers will recollect the effects, even of the agitation of the measure, on trade. As it became certain that it would be carried, in a way to exclude the possibility of compensation for loss, every disposition was evinced and every effort made to get rid of the obnoxious coins. Debtors paid their creditors with pistareens at 1s., knowing they would be worth only 10d. at the rising of the morrow's sun. In this they were undoubtedly justified, they had taken the coin at 1s., the lawful rate, and while it continued a legal tender, were committing no moral wrong in discharging their debts therewith. One anecdote, in illustration, deserves preserving. A grocer of Quebec, illustrious for the extent and success of his dealings, owed a merchant a sum of money; all the pistareens in his possession he sent the said merchant in part payment of his debt. The merchant, however,—who was from the same side of the Tweed as his debtor,—hit upon an expedient to return his countryman the compliment. Sagaciously guessing his former debtor—having the fear of his old acquaintances, the doomed coins, before his eyes—would refuse him credit pending the discussion of the measure, he sent his storekeeper or cooper, who purchased candles, soap, or some such article to about the amount, paying for the same in the dreaded pistareens. While the bill was waiting the Governor's assent, some few shopkeepers shut up their shops to avoid the evil above described.†

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* This is the opinion of W. Finlay, Esq.—see his evidence, Council Report.

† On the question on whom should the loss fall? I am also at issue with the objector already quoted at page 11 (note), he writes,—"in the case of a

In directing the measure of their wrath against the pistareens, the Legislature left unnoticed the greatest offenders, namely, the FRENCH HALF CROWNS. In amount they exhibit an excess over pistareens of 21 per cent., and in point of depreciation they are 2 per cent. worse. It is, therefore, strange that in their zeal to amend, neither house of the Provincial Legislature (except in the vague and resultless recommendation of the Committee of the Council,) thought of including French half crowns in their bill, which it was intended should work wonders in the way of improvement.

Before I dismiss this portion of the subject, I take leave

"metropolitan state calling in her worn coin for the purpose of making a new "issue, it is her *own* coin she calls in, upon which she has had the seignorage, "&c. In this case it is foreign coin, and no wisdom can prevent the colony "from becoming the mart for all this debased foreign coin, and being paid for "at a price above its real value by the colony."

It is, indeed, most unwise in a state to pay for a coin, or other commodity, more than it it is worth; but in the case under consideration, *the folly has been committed*—the colony has been the mart; the debased coins have been bought and paid for; and by calling them in, no new inducement is offered to bring them from a distant state te be changed, more than now exists in their free exchangeability for dollars.

The question whether or not the local governments shall defray the expense of calling in and re-issuing the coin, resolves itself to this. *Shall the loss be borne by the public in equal or unequal shares?* If holders be saddled with the loss, some are great sufferers while others wholly escape. If, on the other hand, the government call them in, every tax-paying individual will contribute his fair share of the loss. To those who hold that the pistareen would purchase as great a quantity of commodities after, as before the passing of the law, (and holders *pro tanto* be compensated,) I refer to page 15 of the text. I would further remark, that on the basis (and the bulk) of her currency, Great Britain levies no seignorage, consequently, the cost of calling in a worn coin is an unrequited loss,—borne, however, fairly and equally, (in so far as taxes are fairly and equally levied,) by every tax-payer. To me it appears, that the circumstance of a colony making use of a foreign coin, instead of being an argument against her bearing the loss, is, in fact, the strongest argument in favor of such a course. The colony is saved the cost of a mint establishment—she is, therefore, better able to bear the loss on worn coin; in fact, wear of coin is as unavoidable an expense to a people as the administration of justice.

Another observation too, from the same source, appears equally open to dispute, namely, that it is a question between *debtor* and *creditor*. To make it so, it appears to me the debtor should lose what the creditor gains, and the converse. It is not so, however, with the case under discussion. *A.* borrows of *B.* £5, say 100 shillings, which is received in pistareens. To make the case strong let us suppose, before *A.* can make use of the said pistareens comes the law, changing their current rate. *A.* tenders the pistareens back to *B.* who refuses to take fewer than 120 in discharge of his debt, this is a clear loss to *A.* but it is no gain to *B.* unless, indeed, what the author of a Review, &c. says, is true, which it is not, hence it appears that *A.* loses not as a *debtor* but as a *holder*.

to say a few words on that part of a work entitled, a "Review of the proceedings of the Legislature of Lower "Canada in the session of 1831," which relates to the currency.

The author states two principles whereby to try the effects of allowing pistareens to pass current at a nominal value above their real value.

"We admit that money can under no circumstances (!–?) "be made to circulate beyond its intrinsic value. When "the nominal value is increased beyond the intrinsic value, "a corresponding increase takes place in the prices of all "commodities, and among these of bills of exchange. * "* * * * * * If there be two or more coins form- "ing a part of the legal currency of a country, and the no- "minal value of the one be higher than the nominal value "of the other, the latter will be displaced by the former "and entirely disappear, or be obtainable only by the pay- "ment of a premium."—*Review*, &c. p. 125.

The first principle is not true, until the effects recited in the second have taken place. Why they did not take place has been already shown, page 11. Had they taken place—had pistareens displaced, or permanently raised to a premium the sound portion of our currency, there is no doubt that the prices of all commodities—including exchange, as shewn page 10, would have risen in the precise ratio of the depreciation. The case of the pistareens, in fact, does not come under the author's general rule. They never displaced dollars and half dollars, or raised them to a premium;* hence they never affected prices; all that is predicated of the currency in the work in question is, consequently, false, and in many cases absurd, manifestly so indeed, as may be seen by the following extract.

"If eggs had been selling at 12d. previous to the passing "of the law, they would, *ceteris paribus*, have sold for 10d. "after its passing; but they would, in both instances, have "been paid (for) by the same identical quantity of silver, "or other precious metal, and it might have been of the "same identical form."—*Review*, *eodem loco.*

Now, making due allowance for the "*ceteris paribus*" of the case, which we presume means *any fluctuation of price*

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* For the causes which have occasionally concurred to raise dollars to a premium, see chap. 2. sec 2. par. 6.

from a change in the ratio of supply and demand, we put it to the experience of every man, whether as many eggs could be bought for a pistareen the day after as the day before the passing of the law.

The sage Augustus, in Mr. Bulwer's "Paul Clifford," says,—"the advantage of having a principle is, that if you fall into error, it is your principle that is to blame and not yourself."—Such is the case with the author of the "Review." The same number of eggs would certainly have sold for a pistareen after, as before the passing of the law, provided the effects predicated in the second principle had taken place; that is,—if pistareens had filled the channels of circulation. But this they never did. The rule has been made too general, a common error with hasty writers.

In the observations (page 130,) on the absurdity of attacking the pistareens and leaving the French half-crowns untouched, I fully concur; but as I have gone through this part of the question, (page 14,) I abstain from further comment. Let us now look back and ascertain the steps we have advanced in this inquiry. We have established which of the several coins current in Canada are depreciated; their per centage depreciation has been pointed out; and a measure of the proportion which the said depreciated coins bear to the whole in circulation has been exhibited. From these three *settled points*—as I think we are authorised in calling them—we may conclude: that the quantum of disturbance under which our currency has been supposed to labour, has been considerably over-rated. A currency cannot be said to be in a very bad state, when the sound portion consists of 670 to 680 parts out of 1000, especially when it is considered that out of the remaining 320 to 330 parts a considerable portion consists of small coins, useful, nay, indispensible for the common purposes of interchange, and, as such, may without any inconvenience be permitted to pass at rates considerably above their metallic value.

That derangement exists, no one can doubt—it rests on demonstration; and although not to an extent to warrant the lamentations occasionally bestowed upon it, still quite sufficient to demand a remedy. Of that remedy, however, we must postpone the consideration, until we have pursued our inquiries to a branch of the subject absolutely necessary to the perfect understanding of the whole,—we mean THE EXCHANGE.

CHAPTER II.

THE EXCHANGE.

SECTION I.—*The Nominal Exchange.*

Having, in the foregoing chapter, gone through the examination of the state of the coins in circulation, I now proceed to another but no less important question, which occupied much of the attention of the Committees, namely, THE EXCHANGE.

There are two circumstances on which the rate of exchange between different countries depends. *First*, the relative value of their respective currencies, *weight* and *fineness* both considered; and, *second*, the supply of, compared with the demand for, bills of exchange. By some writers, the first has been called the nominal exchange—the second, the real exchange—and both together the computed exchange. In this section, I shall treat of the nominal exchange only. The nominal exchange may be affected by the use of paper money; the consideration of its mode of operating, I shall put off till the next section; confining our investigations in this, to the nominal exchange between two countries using metallic currencies.

First, The value of a currency is determined by the quantity of pure metal contained in the coins forming its basis, alloy being left wholly out of the account; and the number of times one coin is contained in another, is called the PAR OF EXCHANGE. Thus, if one dollar contain as much pure silver as five franks, then the PAR between the United States and France will be 5f.=1$. or what amounts to the same thing, 20 c.=1 f.

This, however, only holds good between two countries making use of the same metal as the standard of their respective currencies. But, of some countries, gold is the standard, of others, silver; between such countries the par is not invariable.

Let us take for illustration, the par between England and France, or America; gold being the standard in the former country—silver in the two latter.

Having ascertained the quantity of pure silver contained in the coin forming the basis of the currency of the country

of which silver is the standard, we must find what it is worth at the market price of silver in the gold-using country, and not at any mint price, fixed by law for the purpose of calculation. A short explanation will serve to render this obvious.

The mint price of silver is a conventional price, instituted for the purpose of fixing, or rather attempting to fix, the proportion between silver and gold. The silver coin of Great Britain, being a subsidiary coin, passes at a rate considerably above its real value, without the slightest inconvenience, inasmuch as silver is not a legal tender above a certain amount, namely, FORTY SHILLINGS.* Foreign coins, however, do not enjoy this advantage; they are merely a commodity, worth whatever they will realize in the market, at the market price.

The market price of silver, like that of all other commodities, is perpetually fluctuating, according to the existing ratio of supply and demand. A sudden change of wind, for example, may thrust upon the market a large supply of silver from Mexico; a decline is as surely the consequence, as a decline in the price of sugar would be upon a sudden glut of that article. It will, at once, be seen, that between two countries using different metals as the basis of their currencies, there can exist NO INVARIABLE PAR OF EXCHANGE. Besides the cause of variation above mentioned, the par will be affected by any change in the weight or purity of the coins in either of the interchanging countries.

Many of the pars of exchange now in use, were fixed when the respective coins contained a different quantity of metal than at present; hence, most of them are erroneous, in other words, they are PAR no longer; and such, as I shall presently show, is the case with the par of exchange made use of in this country.

When the language of exchange is *so much of the currency of one country for the unit of the other*, as 4s. 1½d. = $1, $4 80 = £1, 12 guilders = £1, 25 francs = £1, and so forth, no inconvenience can arise from a par being assumed; but when, as in Canada, the erroneously assumed

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* Practically, however, payments are made in silver to any amount, as the Bank of England never refuses to take silver. "Change," as it is called, is, in fact, scarce, being kept so by moderate issues. Were the issues of silver to become excessive, so as to reduce its value, those who had money to receive would refuse to take more than the lawful limit.

par of exchange is never lost sight of, but enters into the language of commerce daily and hourly, it does lead to contradiction and misunderstanding. It asserts that exchange is at a premium, when it may be either at par or at a discount. The practical knowledge of merchants, it is true, lead them to call 5 or 6 per cent. premium *low*, thus tacitly abandoning the par fixed by law; for, were the par correct, no one could deny that 5 per cent. would be enormous as a premium, indeed utterly incapable of being maintained.

The par of exchange at present in use, namely, 4s. 6d. sterling = 5s. currency, was fixed when the Spanish dollar, or piece of eight, as it was then called, was both heavier and finer than at present. The old dollar weighed 17 dwts. 12 grains, and the standard of Spain was only 1 dwt. worse than that of Great Britain, the dollar being then actually worth 4s. 6d. at the mint price of standard silver.*

Since that period, however, the Spanish standard has been lowered,—7 dwts. more alloy having been added to the lb., besides which the weight of the dollar has been reduced 4 grains, namely to 17 dwt. 8 grains, the pure silver in the coin being 370.9 grains.† Now for whatever sum three hundred and seventy grains and nine-tenths will sell in the London market,—the money market of England, indeed of Europe,—that sum is the par value of the dollar.

By referring to appendix B, No. 1, the reader will find a table containing the price of silver in the London market, monthly, from 1823 to 1828, both inclusive, and also for 1831; unfortunately I do not possess prices for 1829 and 1830, nor do I know any source in this country whence to derive them. Could they, however, be exhibited, they would not much affect the average of the whole period. No. 2 of the same appendix contains the annual average prices of the Spanish dollar calculated from No. 1, together with the average of the whole period, namely, 4s. $1\frac{7}{8}$d .3, which would require, in our present mode of computation, a premium of $8\frac{1}{6}$ per cent, over and above our assumed par, to bring it into currency, £100 sterling being worth

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* See Ordinance 17 Geo. III. c. iii. and Mr. Young's evidence, Assembly Report, 8vo. ed. p. 34. The mint price of silver then coincided more nearly with the market price than at present.

† These facts were taken from a table in the second edition of Kelly's Cambist. See also article "Money" in the Supplement to the Encycl. Britt.

£120 4s. 2½d. In the state of the English currency last year, silver commanded rather a higher price, seldom sinking below 4s. 11⅞d. the ounce, and sometimes commanding 5s., giving for the value of the dollar 4s. 2d., and requiring, in our erroneous language, 8 per cent premium to bring the real up to the nominal par, £100 sterling being worth £120 currency, or, in fact, 20 per cent *premium*. This, therefore, must be considered the approximate par* of exchange,—the ordinary average value of our currency estimated in British sterling.

From the facts thus exhibited, it will be seen, that our ordinary premium is only an expedient necessary to bring the real par up to the nominal par. The analysis of the process will make this evident:—

	s.	d.		
Average value for the dollar,.....	4	2	sterling,	£100
8 per cent premium on 50d. is.....	0	4		8
Nominal value of the dollar,.....	4	6	sterling,	108
Add one-ninth, according to the ordinary rule, page (,)	0	6		12
Current denomination of dollar,.....	5	0		120

Hence, when exchange is nominally at 6 or 7 per cent premium—as in June 1831—it is, in fact, at a discount; that

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* The lowest price of silver occurred in March 1822 and in September 1826, both, be it remembered, periods of low prices, consequent upon commercial distress and a contracted currency. The price was 4s. 10¾d. This price will be found to give 4s. 1½d..6 for the value of the dollar, corresponding to which will be found, as a par, the nominal premium of £10 9s. 2d. per £100, a par which would allow exchange to get up to nearly 13 per cent before the precious metals would begin to be exported.

The highest price occurred from September to the close of 1825, the very top of the speculative period, with a currency redundant, and just before the celebrated panic. The price was 5s. 1d., giving for the value of the dollar 4s. 2⅞d..6, or nearly (within 4-10 of an ⅛ of) 4s. 3d., and a nominal premium of £6 1s. 4d. per £100, hence, the average par of 8 per cent would, at that time, almost have fulfilled the condition of an exportation of silver. The mean between the two extremes coincides very nearly with the ordinary average, as may be seen by comparing the annexed table with B, No. 2, of Appendix.

	Price of silver.	Value of dollar.	Nominal premium.	Value of £100 in Halifax currency.
	s. d.	s. d.	£ s. d.	£ s. d.
Highest....	5 1	4 2⅞ .6	6 1 4	117 17 0⅝
Lowest. ...	4 10¾	4 1 .6	10 9 2	122 14 7½
Mean.....	4 11⅞	4 2 .1	8 5 3	120 5 10

is, unless the par has been disturbed by an advance, above the ordinary rate, of the price of silver; and when the premium is nominally 9½ per cent, as now, (August 1832,) it is, in fact, only 1½ per cent above the ordinary par. The price of silver in London, according to the last quotation, was as low as at the lowest period, namely, 4s. 10¾d. This would give nearly 10¼ per cent as the par, and the present real exchange actually at nearly 1 per cent discount.

From these considerations it appears to me highly inexpedient to fix a par of exchange. It leads to faulty language, and to much inconvenience, and, as far as I can discern, answers no good purpose. In changing its language from "*so much per cent premium*" to "*so much "sterling per Spanish dollar*" the Government has acted wisely; and there appears no good reason why the improvement should not be extended to the language of exchange in general. If, however, it be determined to make use of a par of exchange, from which all fluctuations shall be made to start, it would be extremely desirable that such par should be exact. But it has already been seen, that the par of exchange between silver-using America and gold-using England must be liable to perpetual variation; we are, consequently, constrained, as the best course open to us, to fix upon the par of exchange, which the average price of silver, taken over a period sufficiently long to include fluctuations from highest to lowest, is found to indicate. In other words, if there exist no unvarying par of exchange to fix upon the approximate par of exchange, namely, 8 per cent premium, or adding what is afterwards necessary to bring the whole into currency 20 per cent,* the rules of conversion being,—to sterling add one-fifth to give currency,—from currency deduct one-sixth to give sterling.

It does not appear, that any, the slightest, inconvenience could arise, were this change brought about at once,—were the language of exchange,—for it is a case of naming only, and has nothing to do with the state of the currency,—to be altered. It would not interfere with existing contracts, as all are here made in currency of four dollars to the £1, and the £1 of four dollars would still be the currency of the country. It would not augment taxation by affecting the

* See the Analysis in the last page.

crown duties, inasmuch as the rule of conversion, by which the sterling crown duties are converted into currency, is fixed by an order in Council, and in fact, at this moment, departs equally from the customary par, and from truth, being more than the first and less than the last by about 4 per cent.*

Occasionally, it may be urged, some few contracts made in England in sterling, are paid here in currency, such for instance as freight. In the majority of these cases, it is stipulated, *payable at the actual premium of exchange at the time being.* When, however, either through ignorance or inadvertency, such stipulation is omitted, the creditor receives less than his due, a species of injustice of which law should, in no case, be made the sanction. Sometimes the payment of freight in currency is conventional—*is* understood and allowed for by all parties concerned. *In* this case, if competition had reduced freight to a certain rate so payable, it would have reduced it 8 per cent more, if payable at the ordinary premium. I need not expatiate any further on the par value of our currency. If I have failed to make myself understood, I must beg the reader to go over, once more, the propositions I have endeavoured to elucidate and which I now recapitulate.

First, That it is the quantity of pure silver contained in the £1 currency, at the English market price, that determines the par for the time being, (*ante page* 18.)

Second, That as the market price of silver like that of all other commodities, is perpetually fluctuating, there can be no fixed par of exchange, (*ante page* 18.)

Third, That if it be deemed adviseable to establish a par from which all fluctuations shall start, and if there be no par to be found at all times correct; then we are constrained to adopt the best course open to us, and fix upon the approximate par, (*ante page* 21.)

Fourth, That the average price of silver taken over a period sufficiently long to include fluctuations, from the highest to the lowest will indicate with perfect accuracy the said approximate par, (*ante page* 21,) and lastly.

Fifth, That 4 1$\frac{7}{8}$s. 3 is the average value of the dollar as

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* The people of this country and the popular press ever jealous—and wisely—of any attempt of the mother country at taxation, are not aware that when the mode of computing the Spanish dollars was changed from 4s. 6d. to 4s. 4d. at the Custom House, 4 per cent. was added to the crown duties.

exhibited by the above process, giving in the erroneous language now in use $8\frac{1}{6}$ per cent premium, as the average value of our currency, or including the addition which is necessary to bring the whole into currency 20 4 $2\frac{1}{2}$ per cent, £100 sterling being actually worth £120 4s. $2\frac{1}{2}$d. (*ante page* 20, and appendix B. 2,) but as, for the last few years, owing to the steadier state of the English currency, 4s.2d. is the average value of the dollar, it would be expedient to adopt 8 per cent as the approximate par, (*ante page* 20.)

Section II.

On the Effects of Paper Money, on the Nominal Exchange.

In the foregoing section, I have endeavoured to illustrate the two circumstances liable to influence the nominal exchange, and so produce fluctuation in the par value of our currency. These two circumstances we have seen are, *first*, fluctuations in the market price of bullion, *second*, changes—generally reductions in the weight and fineness of the coins. It is but seldom the second occurs, one instance only (page 19,) having been brought within our notice; the first, on the other hand is never wholly inoperative In this section the effects on the nominal exchange of the use of paper money in either of the interchanging countries, will be considered.

Paper money has several inconvenient properties inseparable from it. For our present purpose, however, it is only necessary to mention one, namely, *liability to excessive issue, and consequent depreciation.*

Under proper regulations and restrictions, this bad property, and indeed all others, of paper money may be almost nullified ; it is only where a vicious system of banking exists that it amounts to an evil of any moment. A paper currency is either irredeemable,—by some writers called compulsory—or convertible.

An irredeemable paper currency is where the issuers are exempt from paying coin for the same at the will of the holder. A convertible paper currency speaks for itself; it is the reverse of the other.

The issue of paper money is profitable. It is a means of borrowing so much capital as it represents; hence the temptation to issue largely is very great.

So long, however, as coin can be demanded at the will of the holder, a limit exists to the evil of excessive issues and consequent depreciation.* When, on the other hand, the obligation on the issuing banks to pay in bullion is removed, there is no limit to depreciation. It must become excessive.

The limit to excessive issues where the currency is convertible, may be readily explained.

The effect of depreciation is to raise prices of all commodities and among the rest of gold and silver. Still, however, the sovereign will only lawfully purchase as much as £1 in paper money, although the gold which it contains is worth, let us suppose £1 1s. It, hence, becomes profitable to convert sovereigns into bullion, and they are either carried to the melting pot on account of the holders or are surreptitiously sold to the melters at the supposed premium of 5 per cent, *less the cost and profits of melting.* This highly profitable trade begets a disposition to carry paper to the banks for coin, coin is accordingly demanded, until the volume of the currency is again reduced; and bullion declines to a price at which melting is no longer profitable.

Besides the melting of the coin, when it is more valuable in the shape of bullion, there is another check upon depreciation in its profitable exportation.

An advance in the price of bullion, has the effect of turning the foreign exchanges against the paper-using country. One hundred sovereigns in England will purchase only £100 worth of commodities, though the gold they contain is worth—as in the case already supposed—say £105 in the depreciated paper currency. Sent abroad, however, and exchanged for foreign metallic currency, the sum will purchase a bill on London for £105, *less the cost of transmitting the precious metals.*† In this case the same motive exists to demand coins at the banks and the same effects follow. By

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* Many writers are in the habit of considering the circumstance of a paper currency being convertible at the will of the holder, a perfect guarantee against depreciation. So it would be *if perfect convertibility* could exist. The theory is correct only as far as allowances are made, for the checks necessarily opposed to perfect convertibility; when applied practically, they must be allowed for like resistance and other countervailing forces in mechanics. It may be well in elementary treatises to leave out their consideration at first, but their operation should be subsequently fully treated of; as this essay is practical they are entered into at once.

† For the real exchange and its limits, see next section.

the operation of one or both of the above checks a favorable turn is given to the exchanges,—bullion declines in price,—the currency is *pro tanto* raised to, or nearly to par, and both melting and exportation cease to be profitable. The natural limits, therefore, to the depreciation of a convertible paper currency are the cost of transmitting coin to adjacent countries or of melting it; whichever of the two happens to be least.

When Governments permit the melting of coin, and the free exportation of coin and bullion, as the Government of Great Britain now wisely does, there is but a very trifling expense incurred in distributing the precious metals between contiguous and circumjacent countries, in the exact quantities required by their respective trades; very trifling, therefore, will be the depreciation to which the currency of Great Britain or any such free country is liable. When, however, difficulties are thrown in the way, when penalties are instituted against the exporters of coin and bullion, and against melters, the object has been entirely defeated. Neither melting nor exportation have ever been stopped thereby; they have merely been thrown out of respectable, into disreputable hands, and rendered more costly, inasmuch as something has to be added to compensate risk of infringing the law, in addition to cost of freight and insurance. Even if the penalty for infraction be imprisonment or death, and not fine or forfeiture, it is still estimatable in money, because, there is no penalty men will not render themselves liable to for money, especially taking into consideration the chances against detection.

This increased cost of distributing the precious metals gives an increased latitude to depreciation—to the profitable issue of notes; hence, we may easily understand, why paper issuing banking establishments have always raised an outcry against the permission to deal with money as with a commodity; and called for sanguinary and cruel penal laws against a useful class of men—the dealers in bullion. Any natural or other circumstance apart from systems of banking, which increases the cost of distributing the precious metals also extends the limit of depreciation:—war by raising freight and insurance; seasons by doing the same. On these it is not necessary to expatiate in this place; we shall treat of them more fully when we come to inquire into the real exchange. The limit may also be extended and de-

preciation promoted by any regulation, which throws difficulty, or trouble in the way of taking notes to be changed. The closing of banks at hours and on days, at and on which *only*, certain classes can attend to get their notes changed. This, it may be objected, may be obviated by employing others who can attend; to which it may be replied, that the employment of others is attended with risk, small it may be, but at all events sufficient to stand in the way of the perfect convertibility of paper money.

To give a bank an exclusive privilege to supply too large a district, also throws an enormous difficulty—distance—in the way of conversion, including risk of conveyance; it may amount quite to an assignable premium.

The last item I shall notice under the head of impediments in the way of convertibility, is a small note currency. Spread over a considerable district and necessarily in *many* hands, small notes have a great tendency to fill up the channels of circulation, to an extent to produce depreciation. No one individual possesses enough to make it worth his while to carry them to a distance to be changed for coin,* unless the depreciation be sensibly great; and, the circulation of a district of moderate extent, does not offer any inducement to a money dealer to set up in the neighbourhood. The whole business would not pay him. With a sound system of banking, however, small notes in the opinion of many eminent men, and among the rest of the late Mr. Ricardo, may be allowed currency, without producing inconvenient results. When combined with monopoly of a large district,† with restrictions in the way of exportation and melting—and with vexatious delay begetting regulations at the banks and changing houses, paper money may produce and has produced de-

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* I leave out of the account the case of suspected stability, I assume that perfect faith exists in the safety of banks, inducements to demand coin arising out of the state of the currency are alone treated of.

† Had Mr. Attwood and the currency mongers succeeded in introducing a small note currency, it is most likely, that *combined with the exclusive privileges of the Bank of England*, the British currency would have been permanently depreciated—prices would have been permanently raised—and the exchanges permanently against her, our par would have been reduced *nominally*, in the ratio of the depreciation—if they had succeeded to the extent of calling "half a crown three shillings," currency and sterling would then coincide,

preciation, although *nominally* convertible at the will of the holder.

An instance of an expedient to create delay resorted to by the Bank of England, merits a place here. When silver was a legal tender to any amount, the Bank of England, during the prevalence of an extraordinary demand for bullion, *actually paid in* SIXPENCES; hence demanders gave up the point in despair, and the currency continued depreciated—the foreign exchanges continued against England. This case is not without a parallel here. When large demands have been made upon the Bank coffers, they have made their payments in the small and depreciated coins. These coins not being available for the purposes for which they were demanded, have been returned to the banks, to the manifest promotion of paper issues. But dollars or half dollars were absolutely required, hence those who required them, were constrained to pay a premium rather than go without. Now will any one affirm that this premium was created wholly by the existence of the depreciated coins, unaided by any excess of paper? Were not the depreciated coins, rather a tool in the hands of the Banks, wherewith to force their notes into circulation, and sell their stock of sound coins at a profit, over the expense of bringing them from the United States, where they are in the habit of receiving them in payment for exchange? and would it not be well to deprive the Banks of such an instrument of injury? I cannot anticipate any but an affirmative answer to these questions. If the debased coins were the sole cause, dollars and half dollars would be at a permanent premium, it is only when other causes concur—and what so obvious as an excess of paper—that such premium exists. I have extended my remarks on the possibility of a convertible currency being depreciated, to a sufficient length, let us now consider the more obvious case of an irredeemable or compulsory paper currency.

It is well known to the reader, that the run upon the Bank of England produced by a fear of invasion in 1796-7, reached such an alarming extent in the early part of 1797, that on Saturday, the 25th of February, only £1,272,000 remained in her coffers, and as the run was expected to continue through the following week, an order in Council was issued on the intervening Sunday, prohibiting the Bank of England from paying its notes in cash, until the

sense of the Commons could be taken on the subject. Parliament soon after continued the restriction, "till six months after the signature of a definitive treaty of peace." The return to cash payments did not take place till 1821. In 1817, the Bank was fully able to resume paying cash; it was not however, till 1819, that 59 Geo. III. c. 78, called Mr. Peel's Bill, was passed. This Act ordained, that cash payments should be resumed in 1823, but as the Bank had been some time preparing for the event, they commenced specie payments on the 1st May, 1821. Hence the period of restriction and depreciation—halcyon days to the Bank, alas never to return!—may be said to have endured twenty-four years.

As soon as the Bank Directors began to feel the power with which the Bank Restriction Act invested them, they fully availed themselves of its advantages. Their issues were pushed to a great extent indeed, and in Oct. 1813, the currency had reached the enormous depreciation of 27 $\frac{2}{10}$ per cent. In the Appendix (G) will be found a table shewing the annual average depreciation of the British Currency from 1800 to 1821, and it is to this table, the reader must refer for an explanation of the state of the American exchanges during the period.

During the American War, 1812—1815, exchange on London was at a heavy discount. Some attributed it to an extensive circulation of army bills, others to other causes. It is, however, evidently in the state of the English currency at the time that the cause is to be found.

At the extreme height of the bank restriction, when the currency was 27 $\frac{2}{10}$ per cent depreciated, £100 drawn on London would only be paid in paper money, worth £72, 2s. in bullion. Had the £100 bill been paid for in Canada, in notes equally depreciated, no disturbance of the ordinary course of exchange would have taken place; but hard dollars had to be given, no more hard dollars, therefore, would be given than would discharge the debt, by sending them home, expense of sending home included, of which in next section. At the period to which we allude silver was worth 6s. 11d. per ounce, giving for the value of the dollar 5s. 9¼d. A debt of 5s. 9¼d. sterling, therefore, could be paid with 5s. currency, hence £100 sterling could be paid with £86, 12s. 10d. currency. But £86, 12s. 10d. currency, at the assumed par, (assumed then as well as

now,) is £77, 19s. 7d. sterling, hence a nominal discount of 22 per cent was necessary to bring down our metallic currency to the par of British paper. Thus,

	£100	0	0	sterling.
Discount,.....	22	0	5	
	£77	19	7	
Add one-ninth,...	8	13	3	
	£86	12	10	

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The proportionate value between gold and silver in the London market was then nearly what it is now, namely, about 1 to 15.52 per cent, hence, gold being considered the standard of English money, the *bullion value* of the dollar was the same as now.

Gold,.....	£5	8	0	per ounce.
Silver,.....	0	6	11	ditto.

Hence,

As £5, 8s. : 6s. 11d. : : £3, 17s. 10½d. : 4s. 11½d.

On that supposition let us try the value of £100 sterling in our currency, less the amount of depreciation.

	£100	0	0	sterling.
Less highest depreciation,.....	27	18	0	
Metallic value of £100,.....	£72	2	0	
Add one-fifth,.....	14	8	5	by rule, page (.)
	£86	10	5	

To produce this result would, in our language of exchange, require a discount of 22⅛ per cent, thus agreeing very nearly (within $\frac{1}{10}$ per cent) with our first calculation at the market price of the dollar.

Depreciation of the currency at home is, in its effects, equivalent to our enhancement or appreciation of the currency here; and, *vice versâ*, depreciation of our currency is equivalent to appreciation of the currency of Great Britain. The first determines the exchanges against England, the second in her favour. I believe I have now gone through all that need be said on the effects, on the nominal exchange, of a paper currency liable to depreciation. It affects the exchange *mediately* through the piece of silver, and is, in fact, only a case under the general cause mentioned in the first section of this chapter, namely, "Fluctuations in the Mar-" ket Price of Silver." My reasons for omitting its discus-

sion in that place, are, *first*, the circumstance just mentioned, namely, it being a sub-cause only, coming under a more general rule; *second*, I wished, for the sake of perspicuity, to confine our disquisitions to the metallic value of our currency; and *third*, its real importance demanded notice by itself.

We shall now be better able to understand the question of the real exchange, which will accordingly form the subject of the third section of this chapter.

Section III.—*The real Exchange.*

The two sections just completed, are devoted to the consideration of the circumstances by which the nominal Exchange is liable to be affected. We are now prepared to understand the real exchange, or that premium or discount which is generated by the circumstances of supply and demand.

The exports of every country form its purchasing power—the fund by means of which it supplies itself with those commodities, which it is either wholly unable to produce, or at least cannot produce, so advantageously as purchase. The value of these exports has to be drawn for—this then forms the supply of bills of exchange. The demand is created by the necessity of paying for imports. When, therefore, the imports and exports amount to the same sum—when in other words the debts and credits are equal, the real exchange will be at par. But it must evidently be of rare occurrence that, in any country, the imports exactly balance the exports. It is the difference which creates the real exchange; let us seek an illustration. The year 1830 was one of extraordinary production in America. Of wheat and flour especially, the surplus was very great. The advancing averages in England offered every inducement to export as early as possible; the spring export of grain and flour in 1831 was accordingly greater than in any previous year. The drafts for these shipments come into the market early in the season, even before the opening of the navigation, and as when the importation commenced, it was found to be by no means excessive, the real exchange continued at a discount in New York up to the middle of April, and in Canada up to the middle or latter end of June. Indeed, in New York, it sunk to 7½ per

cent. ($\frac{1}{2}$ per cent. discount) in June after having been above par (8 per cent.)—see Appendix.

By looking at B 2 (Appendix) it will be found, that the par value of our currency was 8 per cent. premium, during 1831. Indeed from August to December the par sunk, by the advance in the price of silver and the consequent enhancement of our currency to $7\frac{3}{4}$; up to the middle of April the average rate of exchange was $6\frac{5}{8}$—ranging from 6 per cent. to $7\frac{5}{8}$. Correcting these rates by 8 per cent. the par at the time, we have real Exchange $1\frac{3}{8}$ discount, with a range from 2 to $\frac{3}{8}$ per cent.

Of the total exportation of the United States of America, cotton alone forms nearly one half * say $\frac{48}{100}$. Of course, the effects of fluctuations in the quantity exported of so important an article as cotton are most marked; accordingly we find that a deficiency in the exports of cotton shows itself at once on the exchanges in the shape of an advance; an increase in the export on the other hand produces the opposite effect, while there existed every inducement to export wheat and flour, the state of the cotton market in England was far from encouraging. This state of the market combined with a low rate of exchange did away with all inducement to ship, and by the 1st July, the exportation of cotton was 106,061 bales deficient compared with 1830. This carried with it its own remedy. The supply of bills of exchange fell short of the demand—their price—the rate of exchange —accordingly rose above 10 per cent, or deducting the nominal exchange, more than two per cent.

Over a certain point, however, the real exchange cannot advance—it is subject to its own peculiar limit; what that limit is, is by no means difficult to discover.

"It is very easy to see, what is the limit to the price of "bills, called in the language of merchants the exchange. "The motive to the purchase of a bill is the payment of a

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* Cotton, ... 26,600,000
Wheat, Flour, &c. 6,000,000
Tobacco, ... 5,000,000
Rice, ... 2,500,000
Pork 1,500,000
Timber, ... 1,700,000
Other small articles 12,400,000

55,700,000

—*American Almanack*, 1830.

" debt. The merchant, however, on whom it is incum-
" bered to pay a debt in Holland, can pay it without a bill,
" by sending the metal. To send the metal is attended with
" a certain cost. If he can obtain the bill without paying
" beyond this cost, he will purchase the bill. This cost,
" therefore, is the utmost amount of the premium which he
" will pay for a bill, and the limit to the rise of its price.
" As the cost of sending the metal which is a great value in
" a small bulk, is never considerable, the (real) exchange
" can never vary from par, to a considerable amount."
(*Mill's Political Economy, 3d Edition, p.* 187.) The truth of the above doctrine, which Mr. Mill has so happily and logically expressed—will at once be acknowledged by every practical merchant. There is scarcely one of us, who has not occasionally made it a matter of calculation whether it would not be better—more profitable, all circumstances considered—freight and insurance incurred, less interest saved—to pay for our imported goods with coin rather than with bills of exchange at high rates. And when our determination has been in favor of an exportation of the precious metals, it has invariably been because the expense of transmission has been something less than the rate of exchange.

Every exportation of coin or bullion, takes out of the market a demander of exchange, accordingly we find that when the transmission of the precious metals has gone on for some time, an effect on the exchange is the consequence—a decline takes place, until it reaches a point at which exportation ceases to be attended with profit,—is no longer a saving; and then it stops.

I have already stated, that above a certain point the real exchange cannot long continue, being limited to the cost of transmitting the precious metals. As that cost, however, is subject to variation, it follows that the point above alluded to is by no means stationary.

It is chiefly by an increase of freight and insurance, that the cost of transmitting the precious metals is enhanced. It may be well therefore to state the leading circumstances usually operating upon freight and insurance. They are *first*, distance; *second*, season; *third*, war; there is also a *fourth* cause independent of freight and insurance, namely legislative interference.

First, Between countries situated with respect to each other, as are England, France, Holland, Germany, &c. the expenses of freight and insurance are exceedingly small, be-

tween those countries accordingly the real exchange is also small; and moreover, owing to the facility of distributing the supply of bills between the chief commercial cities in the exact proportion required, very steady. Between countries situated at a greater distance, as England and America, the expenses are greater, exchange will accordingly be found to fluctuate to the more extended limit.

Second, In the summer season when freight and insurance, especially the latter, are low, in the absence of other impediments, the cost of transmission from America will be small, perhaps not over $1\frac{1}{4}$ to $1\frac{1}{2}$ per cent, that is, making allowance for the saving of interest on the time a bill would have to run. In the winter season, however, freight and insurance may both advance to an extent to enhance the cost of transmission to fully 3 or 4 per cent. If a simultaneous decline take place in the price of silver, so as to advance the par above the ordinary level, it may happen that 13 or 14 per cent premium, will scarcely fulfil the conditions of an exportation of the precious metals. This was the case in the winter of 1823, the price of silver was low in England, making our par $9\frac{5}{8}$ per cent, so that allowing $3\frac{1}{2}$ per cent for winter cost of transmission, it would require exchange to have advanced to $13\frac{1}{2}$ or 14 per cent before an inducement would exist to prefer an exportation of dollars to the purchase of a good bill. Throughout 1823, however, the state of export and import favored a low exchange, so that the operation of the check was never required. As a further illustration, but in an opposite direction, I take the state of things last year, (1831.) By the higher price of silver our currency was raised in value, requiring only 8 per cent (instead of $9\frac{5}{8}$) to raise it to the nominal par. The rate of exchange in July, August, and September, ranged from $9\frac{7}{8}$ to $10\frac{7}{8}$ per cent premium, shewing a mean real exchange of $2\frac{3}{8}$ per cent. An exportation of coin accordingly took place to the extent of $5,000,000, without having any material immediate effect on the exchange; for in the following month exchange rose to 11 per cent. Freight and insurance, however, was rising to their winter rates, hence the limit was extended. The two remaining circumstances affecting the cost of transmitting the precious metals do not require to be treated at great length.

Third, War, "It appears from the evidence annexed to "the Report of the Bullion Committee, that the expense "of carrying gold from London to Hamburg, which pre-

" viously to the war only amounted to 2 or 2½ per cent, had, " in the latter part of 1809, amounted to 7 per cent, show- " ing that the limits, within which fluctuations in the real " exchange were confined in 1809, were about three times as " great as those within which they were confined in " 1773."—*Supp. Encyc. Brit. art. Exchange.*

It is easy to see that the chances of suffering from the " acts of the King's enemies," as the policies have it, are greatly augmented by distance; here war would produce much more marked effects on the exchanges of America, than of European countries.

Fourth, The effects of legislative restrictions in the way of a free exportation of the precious metals have already been treated of in the previous section; as they increase the cost of transmission, so they extend the limit of the real exchange.

When exchange has advanced sufficiently to fulfil the conditions of an exportation of the precious metals, then comes into operation another result productive of a decline in the exchanges. I mean an increased activity in the export trade generally.

I would here remark that exportations of coin, bullion, produce or manufactures produce their effects in the same way. *First*, by diminishing the demand for exchange, as when an importing merchant remits the precious metals or produce, instead of buying a bill of exchange; *Second*, by increasing the supply, as when produce and coin or bullion are shipped in the ordinary way and drawn against. Still, however, it is the same phenomena, though brought about by the agency of different classes of men.

In the spring of 1831, as we have seen, exchange was low. Exportation, accordingly, was checked in all those commodities upon which the state of the consuming markets did not operate as an inducement. The falling off of cotton alone was very great—at one time exceeding in value six millions of dollars. Demand for exchange continued the same; but as the supply was diminished, exchange advanced. It advanced, as we have seen, to a height sufficient to furnish the motive to transmit the precious metals; it did more,—it supplied another motive,—it made the exportation of commodities profitable. An article which, when exchange is at 1⅜ below par, would be shipped to a moderate extent only; would be extensively shipped when exchange was at 2 per cent premium. Such was the case

with cotton. The deficiency which at the end of June was 156,000 bales, compared with the previous year, was gradually reduced, till at the end of September,—the close of the cotton year,—the deficiency came under 70,000 bales.*

We have seen that the increased cost of transmitting the precious metals towards the winter, stopped the export of coin before it had brought down the exchange. What the exportation of bullion, however, was unable *alone* to accomplish, it succeeded in doing aided by the continued shipments of cotton. In November, exchange at New York on London began to decline, and during the winter it continued at about 9¾ per cent. In June of the present year, the exportation of cotton had recovered itself, so that it exhibited an increase compared with June 1831, exactly equal to the deficiency of that period compared with June 1830,—hence, exchange would have declined, had it not been for an increased importation, with a diminished exportation of flour and other articles.†

The exchange between Canada and New York is purely a real exchange. The currencies of Canada and of the United States are the same, under different denominations; the premium or discount thereon, therefore, is regulated by the principle of supply and demand, limited by the circumstances already fully described.

The demand for drafts on New York arises from the following circumstances:—

First, A considerable portion of the exports from Canada consist of ashes, lumber, and other productions of the United States. The value of these exports has, for the most part to be remitted to New York, and thus creates a demand for exchange.

Second, Produce is shipped from New York, Norfolk, &c. to the West Indies on Quebec account.

Third, West India produce is sold in the Canadian markets to a considerable extent for merchants resident in Newfoundland, Nova Scotia, and New Brunswick, part of the proceeds of the same being remitted to New York on their account.

Fourth, Remittance has also to be made for the pre-

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* See Appendix D.

† Since this was written, the stagnation of trade resulting from cholera has produced a temporary decline in exchange at New York.

miums of insurance on policies, under-written at New York for Quebec account.

The supply of bills on New York arises,—

First, and chiefly out of the circumstances of a large quantity of government and private exchange, on London, being sent to New York to be disposed of, for Quebec and Montreal account; *Second*, The losses at sea on the risks taken at New York have to be drawn for.

If the drafts on London for the American produce sold at and shipped from Quebec were at once transmitted to New York, instead of being sold in the Canadian markets, of course the *first* named source of demand would balance a considerable portion of the *first* named source of supply.

The *second* and *third* sources of demand might also be considered to be about sufficient to absorb and neutralize the remaining portion of the first source of supply; thus,—A cargo of rum or sugar is to be disposed of here, the proceeds of which are to be invested in produce at New York or Norfolk. The merchant sells the cargo, sends his order to his New York or Norfolk agent, buys a bill of exchange on London, sends it to his agent, and so closes the account without the intervention of a draft on New York in any shape.

When the losses at sea are placed against the premiums paid, it is probable the balance is not very great. From all these considerations, it appears that, on the whole transactions, the drafts and credits between New York and Canada will about balance, and the money rate of exchange on the average will be at par. I say money rate of exchange, because when exchange, taking the circumstances of supply and demand alone into consideration, should be at *par*, and would be so if paid in cash, a premium of 1 to 1½ per cent is given, in consideration of the seller granting a long credit to the buyer; this premium, therefore, must be considered rather as a guarantee commission than as a premium of exchange.

Supposing, then, that the debts and credits between Canada and the United States nearly balance, and that the rate of exchange on the average is at par,—that is, fluctuates as much one way as the other,—allowing for the "guarantee commission" already described,—it follows, that the rate of exchange at any particular time will be regulated by the rate of exchange at New York on London. At this moment the transmission of bills to New York

would be attended with loss; few or none are, therefore, sent, and the supply of bills on New York in consequence is small. The rate has accordingly risen to 3 *a* 4 per cent premium. In July and August 1831 the exact converse existed. Bills on London were higher at New York than at Quebec. A large amount was sent down, enough, indeed, to bring the *money rate* of exchange on New York to a discount. New York is, in fact, the money market of America, the great arbitrator of the rate of exchange. To her the drafts for the cotton shipments of the South, as well as the bread stuffs of the North, find their way for sale. The leading circumstances affecting the real exchange have now been enumerated; it remains only to add a short section on the combined effects of the various, and sometimes conflicting, circumstances described in the three past sections.

Section IV.—*The Computed Exchange.*

The combined effects of the nominal and real exchange have been sometimes called the "computed exchange;" with a few remarks on which I shall dismiss this already (I fear) too tedious chapter.

The nominal and real exchange act sometimes in the same direction, and sometimes in different directions. In 1823, the computed exchange (actual rate) was, as exhibited in E, 4 of the Appendix, £6 7s. 3d. per cent. In this case the nominal and real exchange operated in opposite directions; the former, owing to the exceedingly low price of silver, was £9 12s. 11½d. per cent premium; and the latter, owing to a very moderate importation, and a great encouragement to exportation, by reason of the advances in the prices of almost all articles of American produce, was £3 5s. 8d. discount. In this case the computed exchange expresses the difference between the real and nominal exchange.

In the following year the nominal and real exchange acted in the same direction, the computed exchange expressing *these sums*, namely, £9 4s. 4d. per cent, being made up of nominal exchange 8 per cent, and real exchange £1 4s. 4d. per cent premium. On the average of the six years ending 1828, the nominal and real exchange was the same, their sum was the average rate of exchange for the period, namely, £8 12s. 3d. the value of the currency,—

the nominal exchange for the same period was £8 5s. 4d.; hence, the real exchange,—that which was generated by the state of supply and demand,—was only 6s. 11d. per cent, or rather over one-third per cent premium. On this head no more need be said than to refer to Appendix F.

In the course of the above remarks we have adopted the language forced upon us,—as we have already fully explained,—by the assumption of the par of 4s. 6d. sterling to the dollar; were that assumption abandoned, and the approximate par of 4s. 2d. the dollar adopted, £100 sterling would be worth £120 currency, on which a premium of 1 per cent would be £1 4s.—of 2 per cent £2 8s.—and so forth. A computed exchange of £22 8s. per cent would then be,—supposing the value of the dollar undisturbed,—composed of nominal exchange 20 per cent and real 2 per cent. I have already endeavoured to show, that it would obviate much misconception were all assumption of a par avoided,—were the dollar quoted at so many pence and eighths; or, what amounts to the same thing, the £1 sterling at so many shillings and pence currency, as sovereigns are now actually bought and sold. It would be interesting could we exhibit the computed exchange during the period of the Bank restriction; but I have not been able to meet with a record of the actual rate of exchange in the years 1813 and 1814, only knowing that it was at a heavy discount. It has already been explained that rather over 22 per cent discount was warranted by the depreciated state of the English currency. If at that time exchange was at a still heavier discount,—say at 25 per cent,—it would show that the real exchange was actually depressed 3 per cent by the then circumstances of supply and demand.

If, on the other hand, 20 per cent were the rate of discount, it would be equal to a real exchange of 2 per cent premium. As war was at that time being carried on in the European Seas on a most stupendous scale, the rates of insurances between the Continental States were very high. America seized the golden opportunity of annoying England, while her hands were full, hence American insurances were still further enhanced and the cost of transmission, *pro tanto*, increased; the limit of the real exchange was extended probably beyond what is usually supposed. A constant supply of army bills concurred with a nominal exchange against England, to keep the computed exchange at a heavy discount. Still we are inclined to believe

that the real exchange was at a considerable premium. This, however, is mere surmise, introduced merely to show how such things might be. I have been unable,—as I have already stated,—to meet with any documents from which I could learn any thing of the then rates.

CHAPTER III.

On the Introduction of British Silver as the Money of Circulation, and the Pound Sterling as the Integer of Account.

To assimilate the currency of the colony to that of the mother country seems to have been a favourite project with both Committees, and also with most of the witnesses examined. In the sight of many merchants, too, connected with the home trade, it hath also found favour; chiefly, it should seem, because calculation would thereby become facilitated. I cannot, however, discover that it was ever contemplated to make British silver the only current money; it was merely to form the basis; all the coins now current to be freely exchangeable at rates to be determined by the wisdom of the Legislature. Supposing the value of all other coins compared with the Spanish dollar to be known and fixed, it would, of course, only remain to declare at what rate the dollar should be exchangeable for British silver.

Before I go into this question, connected with that of the possibility of keeping British silver in the Province, I beg to offer to the most serious consideration of the reader a few observations on the general question of the expediency of such a change in our currency.

Of the money of account, the *denomination* would be unchanged. We should still contract debts in pounds, shillings, and pence; but we should contract them in pounds, shillings, and pence of greater intrinsic value; hence, to acquire the same nominal sum, we should have to give more value—more of the produce of labour for it.

In parting with commodities sellers ought to content themselves with a nominally lower price—lower by the greater value of the money received, say 20 per cent; and buyers, in the case supposed, ought to use the greatest caution in their purchases, paying say 20 per cent less than before. Thus, suppose rum to be selling for 2s. 6d. a gallon in the present currency, it would be worth only 2s. 1d. in

the new and more valuable currency. Now all this is both theoretically and practically true; and if every individual in the country could be made acquainted with it at once, not the slightest inconvenience could, by any possibility, follow the proposed change. Prices would, as it were, *nominally* jump down at once, and so remain *really and intrinsically* the same; and, if the measure were to be accompanied by a retrospective law, declaring that antecedent contracts not completed should be at the proportion of £100 of the new currency for every £120 of the old, all would be done that the nature of the case would require.

In the answers of the several gentlemen examined by the Committee of the Council, as to the question of expediency, no very steady conception of the nature of the inconvenience to be apprehended appears to have been entertained. Their fears seem to have had reference rather to existing contracts, than to mischief in bringing the measure about; though it must be evident, that as far as unfulfilled contracts are concerned, inconvenience might be fully obviated, by declaring so much of the new currency to be worth so much of the old. The real source of disturbance shall be presently explained; in the meantime I beg to submit to the reader the substance of the answers made by the several witnesses to the following very important question:—

"Are you of opinion that it would be advisable and beneficial to assimilate the money of account and circulation with the money of account and circulation of the United Kingdom, and if so, for what reasons?"

The gentlemen examined were the Cashiers of the two Banks, Mr. Simpson and Mr. Freer; Mr. Finlay, Mr. Lemesurier, and the late Mr. Leather, merchants; and the late Mr. Keys, a dealer in exchange.

Mr. Simpson doubted the expediency of the measure, and spoke very decidedly of the inconvenience that would attend the change, *at least for a time.**

Mr. Freer was not certain that it would be beneficial, he apprehended that so great a change would be productive of inconvenience.

Mr. Finlay spoke in its favor, but thought it should be applied to all the Colonies; he further expressed his opin-

* Mr. Simpson's answers throughout, are marked by superior knowledge of the subject.

lon, that as to the money of circulation, it matters little of what it consists, &c. provided its intrinsic value in British sterling were correctly fixed.

Mr. Lemesurier is decidedly of opinion, that the measure in question would be beneficial and *expresses no fear of inconvenience.*

The late Mr. Leather's evidence appears to be against the measure, among other reasons, because it would injure vested interests. "I may instance it by myself," he said, "I have a long lease of property at a rate of rent payable "in the current money of the Province, to which the pro- "posed bill would add largely."

Mr. Keys expressed his doubts of the expediency of the measure, on the ground of the inconvenience and confusion which must ensue.

It will be observed that Mr. Finlay's opinion is in favour —Mr. Lemesurier's strongly in favour of the measure, and the other gentlemen are more or less against it, though some clothe their dissent in the language of doubt. It is worthy of remark also, that all mention "inconvenience" as a ground of objection, though not one endeavours to describe that inconvenience, an omission which I shall now attempt to fill up. In the first section of the preceding chapter, we have seen, that in point of relative value sterling is to currency as £100 to £120. Hence in a change from the latter to the former, prices should, and indeed would, fall *one sixth.* But would they do so *at once*?—I answer—No.

The price of an article, as we all know, is regulated by the free competition of buyers and sellers. Sellers will, generally, take the current rate of the market, but they will at the same time be on the alert, to avail themselves of every advantage which the circumstances of the times afford to obtain an advance thereon. A buyer, A, from a distance comes into town either totally ignorant of the change, or but ill informed of its extent. He finds that the rum for which a week before his neighbour B, had paid 2s. 6d. his merchant offers to him at 2s. 3d. or 2s. 4d. the change having taken place in the meantime, he buys it as a bargain, not having been informed that he should only have paid 2s. 1d. for it. At length the day of payment arrives, B, satisfies his creditor with 2s. 1d. in the new currency, because he contracted his debt before the change took place. A, on the other hand, finds himself obliged to pay the price he had engaged to pay, because forsooth he contracted his

debt it is assumed with his eyes open. Of course A, is only deceived once, and as a knowledge of the matter spreads around, the inconvenience subsides ; the difference of the two currencies would soon become understood, and seller after seller would reduce his price, till at last the theory would be verified.

I have not as yet shown all the evil which would accompany such a change. A low price promotes consumption—an apparently low price will do the same thing. Rum at 2s. 3d. say, following 2s. 6d. would induce the country buyers on credit to enlarge their stocks. Stocks in first hands would accordingly diminish. This would be accompanied by a real advance in the price of the article. Importation would be encouraged to an extent to reduce the price of the article below the natural level, and most probably involve merchants in losses, greater than their first gains as above described. Coincident upon such losscs, are mercantile failures; if numerous, affecting public confidence and credit and reacting still further upon prices to an extent to produce what is usually called revulsion, a state of things to be avoided by all possible means.

There can I think be no doubt, that all sellers would for a time be benefitted, by the delay which would take place before prices assumed the new level, and among the rest *the Sellers of Labour*. Wages would not at once subside. Those who employed labourers would have in fact more to pay than before ; but as the price of the produce would be in continual process of reduction, profits would be less. The change of money would, therefore, act as a most unfair tax on profits. Wages are now quite sufficient to support the labourer in comfort, any further advance would not be desirable, as it would tend to substract from the inducements—already too few—to the introduction of capital into the colony.

From a very careful consideration of the question, I am fully of opinion that it would require more than two years to adjust prices and quantities to the new standard ; so long a period of disturbance and fluctuation, appears to me a very strong argument against any change in the money of account. I do not affirm that it should decide the question, but if more can be urged against the measure, and nothing but *facility of calculation* in its favor, I do contend the project should be wholly abandoned. On the question, whether British silver would be more likely to remain in

Canada than Spanish and American dollars, four witnesses out of seven, were of opinion that it would, provided the Spanish dollar were made exchangeable for it at 4s. 2d. These were the Commissary General, he said 4s. 1d. to 4s. 2d. Mr. Finlay, Mr. Lemesurier, and Mr. Freer. One, namely, Mr. Keys, was equally decided that British silver would not remain in the country. The late Mr. Leather was doubtful, and lastly, Mr. Simpson, whose opinion deserves recording, for the clear, though necessarily abridged views it contains, gave it against the measure, he said, (1) "Our calculating neighbours of the United States * always "take their returns for produce sold in Canada, in such money "as will pass to best account in the United States. So that "(2) British silver at its intrinsic worth would just be as likely to disappear from the Province, as any other description "of coin at a proportionate rate; but if (3) British silver is "declared by law to be a legal tender, at a rate much above "its intrinsic value, then there is little doubt but it will "remain until all other descriptions of coin disappear." †

It appears to me to be capable of proof, that British silver would not permanently remain in the province if fixed at 4s. 2d. the dollar, as recommended by the four first witnesses. In giving this opinion so diametrically opposite to such authority, I feel—I cannot say diffidence, because the labour I have given and the evidence, precludes the existence of doubt on my mind—but, a considerable degree of anxiety to exhibit clearly to the reader the reasons for that opinion.

We have seen that 4s. 2d. the dollar, is what we call 8 per cent premium. We have also seen that when exchange advances to about 10 per cent, specie begins to leave the country, and further, that in 1831, this state of things took place to a considerable extent. In the present state of the American currency specie is exported chiefly in the form of Spanish-American and Mexican coin, and of such small parcels of English money, as can be from time to time laid hold of.

It may be easily shown, that on an advance in the rate of exchange to 10 per cent and upwards, British silver

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* The same would be done by any other people.

† As Mr. Simpson's evidence contains three distinct propositions, I have marked them 1, 2 and 3.

would be more desirable as an exportable commodity than Spanish dollars. The value of Spanish and other Foreign coin, is ever fluctuating with the varying state of the bullion market, consequently, the exporter of dollars must take into consideration this liability to decline; in calculating, a small per centage, let us suppose ½ per cent, must be allowed for that contingency. But British silver is liable to no such fluctuation in the home market, it will be worth to the exporter rather more than dollars; it will consequently bear a premium. If the estimated liability to decline be supposed ½ per cent, then it is likely the premium of British silver would be ¼ per cent. Buyers and sellers would, as in other cases, divide the profit between them, subject of course to the usual modifications of supply and demand.

It has not unfrequently happened, that in the course of two or three months, five or six millions of dollars have been exported from New York alone. The whole volume of the Canadian currency is probably not 3,000,000 * including Upper Canada, certainly not 4,000,000; hence, in times of great demand similar to that of 1831, all, or nearly all the money of Canada would disappear, and we should again return to our present currency, which fortunately would be the full extent of the evil.

It is quite true that the converse state of things might happen, that a low exchange, say 5 or 6 per cent, as we have seen occur, would induce an importation of British silver, always saleable, be it remembered, at 8 per cent but when we consider that on the state of the exchanges warning us to export,—exportation takes place immediately, but that on the other hand a warning to import cannot be obeyed in less than three months, no man, I think, could desire to see British silver the money of circulation. America—the possessor of the mines—is in fact our natural source of supply. From the mines all America first supplies itself, the surplus being constantly exported.

If bills of exchange were usually drawn, bought, and sold in London, on the American cities, as well as in the American cities on London, the argument would not be so strong. There would be a rate of exchange in London to regulate exportation of British silver to America, and a rate of ex-

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* See Chapter vi. for a calculation of the amount of current money in Lower Canada.

change in America—as now—to regulate the exportation of British silver and other specie to London. Such a state of things exists between the several European states. But we should still have distance to favour a fluctuation between the extremes of abundance and scarcity. On this head I need say no more. Of course if the dollar were rated higher, say at 4s. 4d. it would not require an advance in the exchanges above the ordinary level to drive every shilling of British money out of America; I owe £100 in England, dollars sell there at 4s. 2d. hence I must send home 480 to pay my debt; but I can buy British silver enough to pay my debt for 462¼ dollars—hence the 17-3 4 dollars would be *the inducement* to export British silver, instead of dollars. I say nothing of expense of transmission, because it would be the same in both cases; nor do I make any allowance for the certainty of the value of the British silver—the uncertainty of the value of the dollar in the home market, these considered as inducements, having been fully treated of.

I must now beg the reader to turn back to page 43, and read once more Mr. Simpson's evidence. Proposition 3 would be fulfilled, were the value of the Spanish dollar to be rated as low as 4s. 1d. or 4s. in other words were British silver rated as high as 10¼ or 12½ per cent premium, This would be in effect making British silver a depreciated currency. Prices would advance; the nominal exchange would be against us, that is our par would be a nominal premium expressive of the depreciate, say 2¼ *a* 4½ per cent, and we should not be relieved of our surplus coin—a perfect nuisance when in excess—until the real exchange had advanced to 2 per cent and upwards above the nominal exchange, in other words to 12¼ and over, in the case of 4s. 1d. being fixed; to 14½ and over, if 4s. were fixed. Dollars of course we should never see, unless some unfortunate ignorant were to introduce a few.

Importers, during the period of the introduction of British silver at the above rates, would have to fight against an advancing nominal exchange, prices would be some time in adjusting themselves, as shewn at page 41, only in the opposite direction, and in the meantime the whole class would be suffering enormous loss—a portion thereof ruined.

In the British Parliament and elsewhere, we often hear men talk of the danger of "tampering" with the currency. The term is often used by men whose conceptions are extremely vague, and whose knowledge of the subject is

scanty. Here let it stand for the disturbance which this Chapter is attended to avert.

I would not, however, exclude the free introduction of British money; and if the change proposed in proposition No. iv. of the next Chapter were carried into effect, there can be no doubt that both gold and silver would circulate in considerable quantities, especially with the present emmigration. All I wish to show is, that no *forcible means* should be resorted to to introduce British silver; and still less should any change take place, which would, even for a time, disturb prices.

CHAPTER IV.

REMEDIES.

The intelligent reader will have already perceived, that the currency of this Colony requires but little * to put it into as sound a state as any currency is susceptible of. That little it is the object of the present Chapter to point out. I shall put the remedies in the form of propositions, explaining such as do not appear to have come within the province of the foregoing Chapter.

I. That it is expedient to call in the French crown pieces and half crown pieces, at the public expense.

II. That the above coins be called in simultaneously, at Quebec, Montreal, and Gaspé, and that the time of paying such coins, at their present current rates, be limited to fourteen days from the first notice.

III. That the French half crowns be re-issued at 2s. 6d. but that the French crowns be exported as bullion, because of their intrinsic value (5s. 4½d.) being extremely awkward calculation.

IV. That from and after six calendar months from the date of the Act, the par of exchange be assumed, for the purpose of calculation, at what is now called 8 per cent premium, that is, at 20 per cent difference between sterling and currency, in other words that £100 sterling be considered equal to £120 currency; the rules of conversion being

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* I mean as far as relates to the coins in circulation; before we can plume ourselves on our steady currency, we require a reform in our banking system.

TO CONVERT STERLING INTO CURRENCY, ADD ONE-FIFTH.
TO CONVERT CURRENCY INTO STERLING, DEDUCT ONE-SIXTH.*

V. That the following coin be deemed a legal tender to any amount, at the rates below specified:

Spanish and American dollars	5s.
Do. do. do. half-dollars and French half-crowns	2s. 6d.
English crown pieces (see IV.)	6s.
Do. half-crowns do.	3s.
Sovereigns do.	£1 4s.
Half-sovereigns do.	12s.

VI. That the following coins be deemed a legal tender to the extent of ten dollars only, at the rates below specified:

Spanish and American quarter dollars	1s. 3d.
Spanish eighth do.	7½d.
Do. sixteenth do.	3¾d.
American ten cent pieces	6d.
English shillings, coined since 1817	1s. 2d.
Do. sixpences, do. do. do.	7d.
Spanish one-fourth dollar without pillars	1s.
Pistareens	1s.

VII. That in all payments exceeding ten dollars, the receiver shall not be compelled to take any of the above small coin, regulation VI. being intended to provide for a subsidiary coinage, and so facilitate small purchases and payments.

VIII. That an importation of copper coin be provided for —coined expressly for the use of the Colony to the following extent.

Of penny pieces, three tons
Of half-penny pieces, five tons.

That the penny pieces be made to weigh 8 dwts. each, and the half-penny pieces 4 dwts. which will produce
201,600 pieces of 1 penny,
672,000 pieces of a half-penny, being about 5d. for every family, or merely 1d. for every individual in the Province.

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* As the Crown duties are calculated according to a different rule, it would be well, were the Legislature to introduce a clause to protect the people against any attempts at illegal taxation by the Crown authorities, by a sudden adoption of this rule.

IX. That the above be a legal tender to the extent of FIVE SHILLINGS only.

The above nine propositions, appear to me to include all that is necessary, in order to remove the evils which have been described. I shall conclude the Chapter, with some few observations on each.

The first proposition has been already explained in the 1st Chapter. The number of days named in the second proposition, appear to me quite sufficient to enable all the French coin, to find their way to either of the places named, within the time specified. The provision for the exportation of the French crowns as bullion, was inserted at the suggestion of Mr. Simpson. The reason for the suggestion requires no explanation; its force will be apparent to any practical man. It may be remarked, that by shipping the coin in the summer, when insurance is low, and drawing when exchange has advanced to the winter rates, an actual saving may be effected of probably half and perhaps even all the loss of calling in the French crowns.

No. IV. is proposed only as a second best course, because there exists a strong prejudice against the better plan of adopting the American subdivision of the dollar into cents. Except as greatly facilitating calculation, however, it is, as we have already seen, not very important. The change recommended, is absolutely necessary as shown in section I. of the second Chapter.

The propositions V. VI. and VII. will act as a perfect guarantee against depreciation. In the present state of the currency, VI. would be wholly inoperative, inasmuch as small coins are very scarce; hardly a sufficient quantity exists for the small exchanges of the cities; and so far from being forced to take even ten dollars worth, it is quite a matter of favor to obtain them. To remedy this deficiency it is proposed to restore the pistareens to circulation by enhancing its value. We should then have an influx of about £25,000 of a most useful coin, which with the other small coins in circulation would probably be sufficient as subsidiary coins, at least for a few years. By limiting it to ten dollars as a legal tender it would never produce inconvenience. It would pass just as British silver now does in England, namely, rated above its value, but limited both in its whole quantity, and as a tender. The only difference in the cases would be, that British silver is rated 10 per cent. above its value, whereas the pistareens would only be 7⅛

per cent above. Even granting that these depreciated pistareens produce their worst possible effects on the currency, what will it amount to?—Calling the whole currency half a million and the pistareens £25,000 depreciated 7½ per cent spread over the whole, it would just amount to ¼ per cent.

The necessity of an importation of copper coin must be obvious to every one, not a more wretched copper coinage —if coinage it can be called—exists any where; and yet, debased as it is, its value is enhanced by scarcity about 2½ per cent, such being the price the banks have been glad to procure it at. From Birmingham, a neat and tasty Colonial coin might be obtained at the expense named in the next Chapter, namely, £1116, and by making it weigh one third less than the English coin, a profit might be made of it to help to pay the loss on the French coin. By keeping its quantity down, it would never be requisite to call proposition IX. into operation. If eight tons were found insufficient, more might be struck during the following year.

CHAPTER V.

EXPENSE OF CALLING IN THE DEBASED COINS.

Throughout these papers, the principle—that the loss incurred by calling in the worn coins should be borne in equal shares by every individual in the community—has never been lost sight of. This only can be attained by calling them in at the expense of the local government; to ascertain what that expense will be is the object of this chapter.

As a necessary preliminary we must enquire what quantity of coin exists in Lower Canada. The only estimate I can find of the whole sum of coined money in Canada, is contained in the evidence of Mr. Commissary General Routh, before the Committee of the House of Assembly. In reply to the question, "Have you formed any conjecture as to "the whole amount of Foreign coins in Lower Canada," he said, "Calculating that there are about 100,000 families in "Lower Canada, and that each may have four or five dollars "in specie, and that the Military chest would require as "much more, and the Receiver General and the Banks "about half that amount (*Qy. each,*) I should infer that "the circulating medium for this country should be about

"£250,000 to £300,000 sterling :" putting the above into "figures, we have

100,000 families at 4½ dollars each	£112,500
Banks	56,250
Receiver General	56,250
Military Chest	112,500
	£337,500

On the above estimate we have to remark, that the only item subject to doubt is the first, it evidently depends on the average quantity of silver the head of each family is in the habit of keeping in his possession.

We require no vague opinion as to the quantity of money in the hands of the Receiver General, or in the vaults of the Banks, documents furnish us with those important facts.

For the contents of the Military Chest, we could have no better authority than its keeper.

With regard to the money possessed by the Canadian population, I am inclined to think the Commissary General's estimate far too low ; instead of five dollars I should be inclined to say it was nearer ten dollars on the average.*

The money in the Receiver General's Chest, I take from Appendix A ; that table, however, does not furnish a fair criterion of the average cash in the hands of the Banks. The periods were chosen by Mr. Holmes, † as stated in his letter, because they enabled him to give the proportion of each coin, accounts being taken at those periods by order of the Directors. The average amount of cash in their vaults I take from Appendix N, Journals of Assembly, 1830, and M. 1831. ‡

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* If I were confined to the French population, I should say twelve or fourteen dollars rather.

† See Report, p. 12.

‡ Statement of cash in the vault of the Montreal Bank, average of each year and of five years

1821	71624	1826	86540
1822	96823	1827	68660
1823	76453	1828	62104
1824	90232	1829	63527
1825	82983	1830	*70543
Average of 5 yrs.	83624		70277

Cash in the vaults of the Quebec Bank, average of each year and of four years.

1823	9100	1827	15111
1824	12947	1828	16444
1825	16200	1829	15040
1826	14258	1830	19683
Average of 4 yrs.	13126		16568

* Average of three months only.

The second period of both Banks is chosen, as indicating more fairly than the first the present state of the currency.

Calculating on the several data above specified, we obtain the following result:—

In the Military Chest, ...	112,500
In the Public Chest,*	83,000
In the Montreal Bank, ...	70,277
In the Quebec Bank, ...	16,568
100,000 families having $10 each	250,000
	£532,235

In page 4 of the Report, Mr. Commissary General Routh states, "that no coins are received into the Military Chest "except dollars and half dollars and English money," hence in taking the proportions as exhibited in Appendix A, we must reject the contents of the Military Chest, which will leave us £420,000 as a total, of which French crowns and half crowns bear their proportion, as exhibited by the above table.

The pistareens have been already unwisely dismissed the Province, it remains therefore to estimate the cost of calling in the French coin only, and re-issuing them at their intrinsic value.

We have seen that French crowns form $\frac{133}{1000}$ of the whole circulation of Canada, this will be found to give £55,862, their actual depreciationis 2¼ per cent, making the amount of loss £1260.

Of half crowns the proportion is $\frac{75}{1000}$ amounting to £31,500, the percentage depreciate 9$\frac{1}{10}$ per cent, and the loss £2866.

Something remains to be added for expense of management. I have no doubt but that the Banks would gladly undertake it for ½ per cent. The trouble of exchanging about £85,000 to £90,000 would be extremely trifling, for which £450 would amply remunerate, or should such a course be preferred or the Banks refuse the business, it might be done by a Commissioner of known integrity in Quebec and Montreal, with proper checks in the shape of an obligation to account daily to an Auditor, and deposit his balances in the Banks.

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* The average is perhaps rather below this.

To recapitulate :—

Loss on French crowns	£1260
Do. do. half crowns.	2866
Expenses of management	450
	£4576

The act of calling in the copper coin and re-issuing a new Colonial coin, would be by no means an expense, it would probably leave a profit.

8 tons of copper *a* £88	£704
Dies	30
Striking	60
Freight and Insurance	36
Commission and Management	100
Sterling	£930
Currency	1116

The above would issue as follows :—

201,600 pieces of one penny	£840
672,000 pieces of one-half penny	1400
	£2240

I do not think there is more than £1000 of copper coin in Lower Canada, worth perhaps, if sold, about £250 to £300. The account will stand thus

First cost of the new copper coin		£1116
Old coin called in		1000
		£2116
New issue	£2240	
Sale of old coin	250	
		2490
Net profit.		£374

Every new issue would be attended with a profit of 100 per cent on the outlay.

As truth is the only object in this publication, it may be well to point out to the reader the sources whence error may have sprung in the above estimate.

First, The whole amount of coin in the country, exclusive of the Military Chest, may have been under estimated.

Second, The proportion which the crowns and half crowns bear to the whole circulation, may not be exactly indicated by Appendix A, the *habitans* having a greater proportion. It is within my knowledge, however, that the *habitans* prefer dollars and half dollars to crowns, and half crowns, repeatedly asking at the banks for *l'argent Anglais*, as they designate all not French. It may be, that there

is scattered among them more than £250,000, but I am most decidedly of opinion, that the addition will be in dollars and half dollars, and so tend to diminish the proportion of the debased coins.

Another consideration too on the favorable side of expense, is that there are perhaps not more than 70,000 or 80,000 families of French extraction in Canada, and it is among them only, that hoarding to any extent exists. Judging from myself and the friends around me, I should say, the English inhabitants of towns seldom keep more than one or two dollars in specie in their possession. From all which it is concluded, that if there be errors in my estimate, one will correct another;—that the French money in circulation and hoarded, does not exceed £90,000 currency, and that the expense of calling it in, and of re-issuing the half crowns at their intrinsic value, and of exporting the crowns as bullion, as recommended page 46, on account of their inconvenient value, would be considerably under £5000. The advantages, however, of having a steady circulating medium, are so inconceivably great, that even were the expense much more formidable, I cannot conceive it would for a moment be allowed to weigh with a Legislature having the welfare of the country at heart; and it is to be hoped, that the Representative of the Crown will, at the opening of the coming Session, call the attention of the Commons once more to the subject;—that the Commons will institute a new enquiry into the facts;—and thereon ground a Bill calculated to effect the end desired. Let us hope also, that no paltry jealousies of party will be allowed to stand in the way of the final adjustment of this most important matter. That the French and English Canadians can have interests really opposed to each other, I doubt, nay I think it would not be difficult to show that it is impossible. If, however, there be any real or supposed difference of interests between men living in the same country—warmed by the same sun and chilled by the same blast—merely because their fathers spoke a different language, such difference of interest clearly does not lie in the settlement of the CANADIAN CURRENCY QUESTION.

APPENDIX.

A. Statement of the average amount of each denomination of coin in possession of the Montreal and Quebec Banks, in 1828 and 1829; and in the Public Chest on the 1st of January, 1829.

B. 1. Price of standard silver in bars, in London, from 1823 to 1831, (omitting 1829 and 1830,) monthly.

2. Annual average value of the Spanish dollar, (deduced from B. 1.) Average for the whole period, with corresponding par value of the currency.

C. Table of the annual average depreciation of the English currency during the period of the Bank restriction.

D. Monthly exports of Cotton from the United States, from May 1830 to 1st September 1832, with current rate of exchange at New York annexed to each month.

E. Exchange transactions of the Montreal Bank, 1821 to 1829, from the Assembly Journals, 1830, Appendix N.

1. Sales of their drafts on London.
2. Purchases of private exchange.
3. Purchases of Government exchange.
4. Monthly rate of exchange at Quebec, 1821 to 1832.
5. Abstract of Nos. 1, 2, and 3, showing the aggregate average premiums on each class of transactions—for each year and for the whole period.
6. Summary.

F. Table showing

1. Par value of the currency from B. 1.
2. Actual rate of exchange from C. 4.
3. Real exchange, being the difference between 1 and 2.
4. Par value of £100 sterling in currency, from column 1.
5. Value of £100 sterling at the actual rate, from column 2.

With averages and real exchange for the period. (From 1823 to 1829, six years.)

G. Rate of exchange at New York, 1820 to 1832, weekly.

APPENDIX A.

A statement showing the amount of the several Current Coins of Canada, in the Public Chest, on the 1st January, 1830, and the ordinary average amount in the vaults of the Montreal and Quebec Banks, for 1828 and 1829. Taken from the Assembly's Report, 8vo. ed. p. 11, 12, and 32.

Description of Coins.	Montreal Bank. Mean of 15 months.	Quebec Bank. Mean of 2 years.	Total of Both Banks.	Whole being 1000, proportion of each.	Public Chest. January, 1830.	Total, Two Banks and Public Chest.	Whole being 1000, proportion of each coin.	Scale of depreciation per cent.
	£	£	£		£	£		
Dollars	2140	4133	6273	—	44452	50725	—	—
Half-dollars	22215	4354	26569	—	12834	39403	—	—
Basis of the Currency	24355	8487	32842	671.3	57286	90128	680	
French crowns	3976	1650	5646	115	11976	17602	132.8	2½
Do. half-crowns	5684	357	6041	123.5	3876	9917	74.8	9 1-10
Pistareens	1129	865	1994	40.7	6205	8199	61.9	7⅛
Five franc pieces	188	21	209	4.3	—	209	1.6	
Quarter of dollars	1733	417	2150	44	3709	5859	44.2	4 1-7
Eighth of dollars	—	—	—	—	571	571	} 4.7	—
Shillings and parts	—	27	27	} 1.2	—	27		
Small change	32	—	32		—	32		
£	37097	11824	48921	1000	83623	132544	1000	

Monthly price of Standard Silver, per ounce, in London, 1823 to 1823 inclusive, and in 1831.

Month.	1823.	1824.	1825.	1826.	1827.	1828.	1829.	1830.	1831.
January	4 11 1/4	4 11 1/2	5 0 1/2	5 0 1/2	4 11 1/2	5 0 1/8			4 11 5/8
February	4 11 3/4	4 11 1/2	5 0 1/2	5 0 1/2	4 11 1/2	5 0 1/8			4 11 7/8
March	4 10 3/4	4 11	5 0 3/4	5 0 1/2	4 11 1/2	5 0 1/4			5 0
April	4 11	4 11 1/2	5 0 3/4	4 11 3/4	4 11 3/4	5 0 1/4			4 11 7/8
May	4 11	5 0	5 1	4 11 1/2	4 11 1/2	5 0 1/4			4 11 7/8
June	4 11	4 11 1/4	4 11 1/4	4 11 1/4	4 11 3/4	4 11 3/4			4 11 7/8
July	4 11	4 11 3/4	4 11 3/4	4 11	4 11 1/2	4 11 5/8			4 11 7/8
August	4 11	5 0	5 0 1/4	4 11	4 11 3/4	4 11 5/8			5 0
September	4 11	5 0 1/2	5 1	4 10 3/4	5 0 1/2	4 11 7/8			5 0
October	4 11	5 0 1/2	5 1	4 11	5 0 1/4	4 11 7/8			5 0
November	4 11	5 0 1/2	5 1	4 11	5 0 1/8	4 11 7/8			6 0
December	4 11	5 0 1/2	5 1	4 11	5 0 1/8	4 11 7/8			5 0
Average	4 11	4 11 7/8	5 0 1/2	4 11 3/8	4 11 3/4	4 11 7/8.6			4 11 7/8
Corresponding value of dollar	4 1 1/4.1	4 2	4 2 1/2.1	4 1 3/8	4 1 3/4.6	4 2 3/8.4			4 2
Corresponding par value of currency	9 12 11 1/2	8 0 0	6 18 7	8 16 2 3/4	8 4 4 1/4	8 0 0			8 0 0

Annual average value of dollar.	
1823	4 1 1/4.1
1824	4 2
1825	4 2 1/2.1
1826	4 1 3/8
1827	4 1 3/4.6
1828	4 2 3/8.4
1829	—
1830	—
1831	4 2
Average of 6 years	4 1 3/8.3
Corresponding value of currency	8 3 9 1/2

APPENDIX C.

Statement shewing the annual depreciation of the Paper Money of Great Britain, from 1800 *to* 1821 *inclusive; also the average value of the Paper Currency deduced from the market price of Gold, (also given.) Taken from papers before the Commons.*

Year.	Average price of Gold per ounce.	Average per cent of the value of the Currency.	Average depreciation per cent.
	£. s. d.	£. s. d.	£. s. d.
1800	3 17 10½	100 0 0	nil.
1801	4 5 0	91 12 9	8 7 8
1802	4 4 0	92 14 2	7 5 10
1803	4 0 0	97 6 10	2 13 2
1804	4 0 0	97 6 10	2 13 2
1805	4 0 0	97 6 10	2 13 2
1806	4 0* 0	97 6 10	2 13 2
1807	4 0 0	97 6 10	2 13 2
1808	4 0 0	97 6 10	2 13 2
1809	4 0 0	97 6 10	2 13 2
1810	4 10 0	86 10 6	13 9 6
1811	4 4 6	92 3 2	7 16 10
1812	4 15 6	79 5 3	20 14 9
1813	5 1 0	77 2 0	22 18 0
1814*	5 4 0	74 17 6	25 2 6
1815	4 13 6	83 5 9	16 14 3
1816	4 13 6	83 5 9	16 14 3
1817	4 0 0	97 6 10	2 13 2
1818	4 0 0	97 6 10	2 13 2
1819	4 1 6	95 11 0	4 9 0
1820	3 19 11	97 8 0	2 12 0
1821	3 17 10½	100 0 0	nil.

* The highest depreciation was from October 1813, to February 1814, when gold was at 108s. per ounce, and silver 6s. 11d., the value of the currency was only £72 2s. and the depreciation was £27 18s. per cent.

APPENDIX D.

Statement of the Monthly Exports of Cotton from the United States, from May, 1830, to the 1st September, 1832; with deficiency or excess of each year.

Month to the end of	1829–30.	1830–31.	1831–32.	Deficiency of 1831 compared with 1830.	Excess of 1832 compared with 1831.	Rate of Exchange New York on London.	
						1830–31.	1831–32.
	Bales.	Bales.	Bales.				
October	—	9484	22317	—	12833	—	10½ *a* 11
November	—	27339	60278	—	32737	—	9¾ *a* 10
December	—	108053	129109	—	21056	—	9¾
January	—	142560	199805	—	57245	6⅝	9¾ *a* 9⅞
February	—	228047	282810	—	54763	6 *a* 6½	9¾ *a* 10
March	—	308057	380742	—	72685	6¼ *a* 7	9¼ *a* 9¼
April	—	371356	465799	—	93743	7⅛ *a* 8¾	9¼ *a* 10⅜
May	571064	480835	571134	90227	90299	7½ *a* 9½	9½ *a* 9¾
June	706860	550779	684661	156061	133862	7¾ *a* 9¾	9⅛ *a* 9⅜
July	792640	668083	—	124557	—	9⅞ *a* 10¼	8 *a* 10¼
August	828004	718421	—	109583	—	10 *a* 10¼	—
September	838686	769012	—	69674	—	10⅛ *a* 10¼	—

APPENDIX E.

EXCHANGE TRANSACTIONS OF THE MONTREAL BANK.

No. I.—Amount of Exchange sold by the Montreal Bank in each year, from 1821 to 1829 inclusive, with the Aggregate Premiums received, and the several RATES.

1821.					1822.					1823.				
Amount.		Rate.	Aggregate premiums.		Amount.		Rate.	Aggregate premiums.		Amount.		Rate.	Aggregate premiums.	
£.			£.	s. d.	£.			£.	s. d.	£.			£.	s. d.
16650	*a*	6	999	0 0	5000	*a*	10	500	0 0	2000	*a*	4½	90	0 0
19450	*a*	6½	1264	5 0	63611	*a*	11	6997	4 2	20388	*a*	5	1019	3 0
4142	*a*	7	289	19 9	1529	*a*	11½	195	16 8	4000	*a*	5½	220	0 0
50000	*a*	7½	3750	0 0	43968	*a*	12	5276	3 2	9833	*a*	6	589	19 7
31182	*a*	8	2492	19 2	43621	*a*	12½	5452	12 6	5000	*a*	6½	337	10 0
23019	*a*	8½	1956	12 4	30723	*a*	13	3993	19 10	39193	*a*	7	2743	10 2
6000	*a*	8½	525	0 0	15855	*a*	13½	2140	8 6	24000	*a*	7½	1740	0 0
18456	*a*	9	1661	0 10	4500	*a*	14	630	0 0	8758	*a*	7½	656	17 0
8000	*a*	9½	760	0 0	230	*a*	15	34	10 0	3949	*a*	8	315	18 5
13397	*a*	10	1339	14 0						1917	*a*	10	191	14 0
2385	*a*	11	262	7 0						204	*a*	12	24	19 7
										2353	*a*	12½	294	2 6
										968	*a*	13	125	16 10
192681			15300	18 1	209037			25220	15 10	122558			8349	1 1

1824.					1825.					1826.				
Amount.		Rate.	Aggregate premiums.		Amount.		Rate.	Aggregate premiums.		Amount.		Rate.	Aggregate premiums.	
1863	*a*	8	148	12 10	32300	*a*	5	1615	0 0	7500	*a*	7	525	0 0
26786	*a*	8½	2276	16 2	3000	*a*	5½	157	10 0	3170	*a*	8	253	12 0
2000	*a*	8½	175	0 0	7000	*a*	6	480	0 0	1050	*a*	9	94	10 0
54087	*a*	9	4867	16 7	13578	*a*	7	950	9 2	15807	*a*	10	1580	14 0
64869	*a*	10	6486	18 0	4000	*a*	7½	300	0 0	38	*a*	10½	3	19 10
5505	*a*	12	660	12 0	17000	*a*	7½	1317	10 0					
23188	*a*	12½	2898	10 0	14624	*a*	8	1169	18 5					
					25000	*a*	8½	2062	10 0					
					7891	*a*	8½	670	4 8					
					32573	*a*	9	2931	11 5					
					35506	*a*	9½	3378	1 5					
					29326	*a*	10	2932	12 0					
					7822	*a*	12½	977	15 0					
178298			17514	5 7	230520			18938	2 1	27565			2457	15 10

1827.					1828.					1829.				
Amount.		Rate.	Aggregate premiums.		Amount.		Rate.	Aggregate premiums.		Amount.		Rate.	Aggregate premiums.	
108	*a*	8	8	12 10	7500	*a*	9	675	0 0	5000	*a*	8	400	0 0
2947	*a*	8½	250	9 11	7500	*a*	9½	693	15 0	6000	*a*	9	540	0 0
6084	*a*	9	547	11 2	6325	*a*	10½	664	2 6	2850	*a*	9½	263	12 6
4911	*a*	9½	466	10 11	24750	*a*	10½	2660	12 6	48083	*a*	9½	4567	17 8
5300	*a*	10	530	0 0	3000	*a*	11	330	0 0	9000	*a*	9½	877	10 0
11250	*a*	10½	1181	5 0	329	*a*	12	39	9 7	11352	*a*	10	1135	4 0
10361	*a*	12½	1295	2 5	1860	*a*	13	241	16 0	13738	*a*	10½	1441	19 4
										578	*a*	11	63	11 7
										795	*a*	11½	91	8 6
40961			4279	12 3	51264			5304	15 7	97391			9381	8 7

Note.—The materials for Appendix E. No. 1 to 5, are to be found in a paper laid before the House of Assembly, and ordered to be printed, 17th March, 1830. See Appendix to the Journals of that year, letter N.

APPENDIX E.

EXCHANGE TRANSACTIONS OF THE MONTREAL BANK.

No. 2.—Amount of Merchants' Exchange bought by the Montreal Bank, with the Aggregate Premiums received and the several RATES.

1821.					1822.					1823.				
Amount.		Rate.	Aggregate premiums.		Amount.		Rate.	Aggregate premiums.		Amount.		Rate.	Aggregate premiums.	
£.			£. s.	d.	£.			£. s.	d.	£.			£. s.	d.
4370	a	3½	159 19	0	284	a	5	14 4	0	6106	a	¼	244 4	10
2363	a	5½	129 19	4	200	a	8	16 0	0	29165	a	4½	1312 8	6
20380	a	6	1222 16	0	8945	a	9	105 1	0	690	a	5	34 10	0
5940	a	6½	400 19	0	4000	a	9½	380 0	0	7630	a	5½	420 15	0
24739	a	7	1731 14	7	23573	a	10	2357 6	0	362	a	6	21 14	5
29990	a	7½	2174 5	6	14998	a	11½	1724 15	5	5291	a	6¼	330 13	9
4600	a	9½	437 0	0	12073	a	12	1448 15	2	2399	a	6½	161 18	8
										5970	a	7	417 18	0
										6000	a	10	600 0	0
										10000	a	11½	1175 0	0
										2363	a	12	283 11	2
94282			6249 18	5	64073			6046 1	7	75976			5022 14	4

1824.					1825.					1826.				
Amount.		Rate.	Aggregate premiums.		Amount.		Rate.	Aggregate premiums.		Amount.		Rate.	Aggregate premiums.	
768	a	6½	49 18	5	18064	a	4½	812 17	7	6640	a	7	464 16	0
9790	a	7	685 6	0	24838	a	5	1241 18	0	35157	a	7½	2636 0	6
9507	a	7¼	689 5	2	5460	a	6½	354 18	0	2226	a	7¾	172 10	4
11716	a	7½	878 14	0	34625	a	7	2424 15	0	2330	a	8	186 8	0
11892	a	8	951 7	2	29136	a	7⅛	2075 18	10	21480	a	8½	1825 16	0
326	a	8¼	26 17	6	12778	a	7½	958 7	0	2880	a	9½	273 12	0
7251	a	8½	616 6	8	54098	a	8	4327 16	10					
8425	a	9	758 5	0	535	a	8½	45 9	6					
9342	a	11¼	1050 19	6	15785	a	11	1780 17	0					
3907	a	11½	449 6	1	12547	a	12	1505 12	10					
10320	a	12	1338 8	0										
83144			7449 11	11	207816			15478 10	7	70703			5559 2	10

1827.					1828.					1829.				
Amount.		Rate.	Aggregate premiums.		Amount.		Rate.	Aggregate premiums.		Amount.		Rate.	Aggregate premiums.	
5963	a	7¼	430 18	4	19094	a	9¼	1766 3	11	5675	a	6¾	383 1	3
3911	a	7½	293 6	6	5794	a	9½	550 8	7	9714	a	7⅛	692 2	5
1976	a	8	158 0	0	4100	a	9¾	399 15	0	11724	a	7¼	849 19	10
1100	a	8¼	93 10	0	10252	a	10	1025 4	0	7185	a	7¾	556 16	9
2200	a	8½	192 10	0	12064	a	10¼	1236 11	2	13881	a	8	1110 9	7
980	a	9	88 4	0						2800	a	8½	238 0	0
100	a	10	10 0	0						6600	a	8¾	577 10	0
										2381	a	9¼	232 2	11
16229			1266 8	10	51304			4978 2	8	59960			4640 2	9

APPENDIX E.

EXCHANGE TRANSACTIONS OF THE MONTREAL BANK.

No. 3.—Amount of Treasury Bills purchased by the Montreal Bank, from 1821 *to* 1829 *inclusive, with the Aggregate Premiums received and the several* RATES.

1821.					1822.					1823.				
Amount.	Rate.	Aggregate premiums.			Amount.	Rate.	Aggregate premiums.			Amount.	Rate.	Aggregate premiums.		
£.		£.	s.	d.	£.		£.	s.	d.	£.		£.	s.	d.
15000 *a*	6	900	0	0	55000 *a*	10	5500	0	0	18000 *a*	5	500	0	0
57000 *a*	7½	4275	0	0	22000 *a*	11½	2530	0	0	8000 *a*	6	480	0	0
32000 *a*	8	2560	0	0	21000 *a*	12½	2625	0	0	11000 *a*	7	770	0	0
104000		7735	0	0	98000		10655	0	0	29000		1750	0	0

1824.					1825.					1826.				
Amount.	Rate.	Aggregate premiums.			Amount.	Rate.	Aggregate premiums.			Amount.	Rate.	Aggregate premiums.		
65412 *a*	8	5234	19	2	1300 *a*	7½	97	10	0	18200 *a*	8	1056	0	0
49034 *a*	9	4413	1	2	25000 *a*	9	2250	0	0	3900 *a*	9½	370	10	0
										28733 *a*	10	2873	6	0
114446		9648	0	4	26300		2347	10	0	45833		4299	16	0

1827.					1828.					1829.				
Amount.	Rate.	Aggregate premiums.			Amount.	Rate.	Aggregate premiums.			Amount.	Rate.	Aggregate premiums.		
34500 *a*	8	2760	0	0	5000 *a*	10	500	0	0	157500 *a*	8	12590	0	0
900 *a*	8½	76	10	0	27061 *a*	10¾	2909	1	2					
11600 *a*	9	1044	0	0										
4300 *a*	10	430	0	0										
51300		4310	10	0	32061		3409	1	2	157500		12590	0	0

APPENDIX E.

EXCHANGE TRANSACTIONS OF THE MONTREAL BANK.

No. 4.—Abstract of the three foregoing tables, showing—

First.—The amount of Exchange sold by the Montreal Bank in each year, 1821 to 1829.
Second.—The amount of Government Bills purchased during same period.
Third.—The amount of Merchants' Bills do. do.
Fourth.—Total of the above transactions each year.
With aggregate average Premiums on each class of transactions and on total.

Year.	Description of transactions.	Annual Amt.	Aggregate premium.	Rate.	Total transactions of the year. Amt.	Prems.	Rate.
1821	Exchange sold...	192681	15300 18 0	7 18 9			
	Governt. bought	104900	7735 0 0	7 8 9			
	Private ditto....	94382	6249 13 5	6 12 5	391063	29485 11 5	7 9 9
1822	Exchange sold...	209037	25220 16 0	12 1 9			
	Governt. bought	98000	10655 0 0	10 17 5¼			
	Private do.....	64073	6046 1 7	9 8 8½	371110	41921 17 7	11 5 10
1823	Exchange sold...	132558	8349 1 0	6 16 4			
	Governt. bought	29000	1750 0 0	6 0 8¾			
	Private do.....	75976	5022 14 4	6 12 2½	237534	15121 15 4	6 7 3
1824	Exchange sold...	178298	17514 6 0	9 16 5			
	Governt. bought	114446	9648 0 4	8 8 6½			
	Private do.....	83244	7494 11 11	9 0 0½	375988	34656 18 3	9 4 4
1825	Exchange sold...	230620	18938 2 0	8 4 3			
	Governt. bought	26800	2347 10 0	8 18 6			
	Private do.....	207816	15478 10 7	7 8 11	464736	36764 2 7	7 18 3
1826	Exchange sold...	27565	2457 16 0	8 18 4			
	Governt. bought	45833	4299 16 0	9 9 8¾			
	Private do.....	70703	5559 2 10	7 17 2	144101	12316 14 10	8 11 0
1827	Exchange sold...	40961	4279 12 0	10 8 11¾			
	Governt. bought	51300	4310 10 0	8 8 1			
	Private do.....	16229	1266 8 10	7 16 0	108490	9856 10 10	9 1 8
1828	Exchange sold...	51264	5304 16 0	10 6 11¾			
	Governt. bought	32061	3909 1 2	10 12 7¾			
	Private do.....	51303	4978 2 8	9 10 2	134628	14191 19 10	10 10 10
1829	Exchange sold...	97391	9381 4 0	9 12 7¾			
	Governt. bought	157500	12590 0 0	8 0 0			
	Private do.....	59960	4640 2 7	7 14 9	314851	26611 6 9	8 9 0

No. 5.—Summary.

Total Exchange sold, 1821 to 1829 inclusive	1150375	106746 11 0	9 5 7
Ditto Government Exchange purchased, same period	688539	57444 0 5	8 6 10¼
Ditto Private Exchange purchased, same period	703587	56735 9 0	8 1 3
	2542501	220926 17 5	8 13 9

APPENDIX F.

Analysis of the Exchange at Quebec, 1823 to 1828 inclusive.

Year.	1. Par value of our currency at the average price of the Spanish dollar.	2. Actual rate of Exchange from C. 4.	3. Real Exchange. Discount.	3. Real Exchange. Premium.	4. Par value of £100 sterling in Halifax currency. From column 1.	5. Value of £100 sterling at the actual rate. From column 2.
1823	9 12 11½	6 7 3	3 5 8	—	121 16 7½	118 3 7½
1824	8 0 0	9 4 4	—	1 4 4	120 0 0	121 7 0
1825	6 18 7	7 18 3	—	0 19 8	118 16 2½	119 18 0¾
1826	8 16 4	8 11 6	0 4 10	—	120 18 1¾	120 13 9
1827	8 4 4	9 1 8	—	0 17 4	120 4 9¾	121 4 0
1829	8 0 0	10 10 10	—	2 10 10	120 0 0	122 16 5¼
Average	8 5 4	8 12 3	3 10 6	5 12 2	120 5 11½	120 13 9½
		8 5 4	Deduct	3 10 6		
	Real Exchange,..... 0 6 11 or rather over ¼ per cent.		Six years	2 1 8		
			One year	0 6 11		

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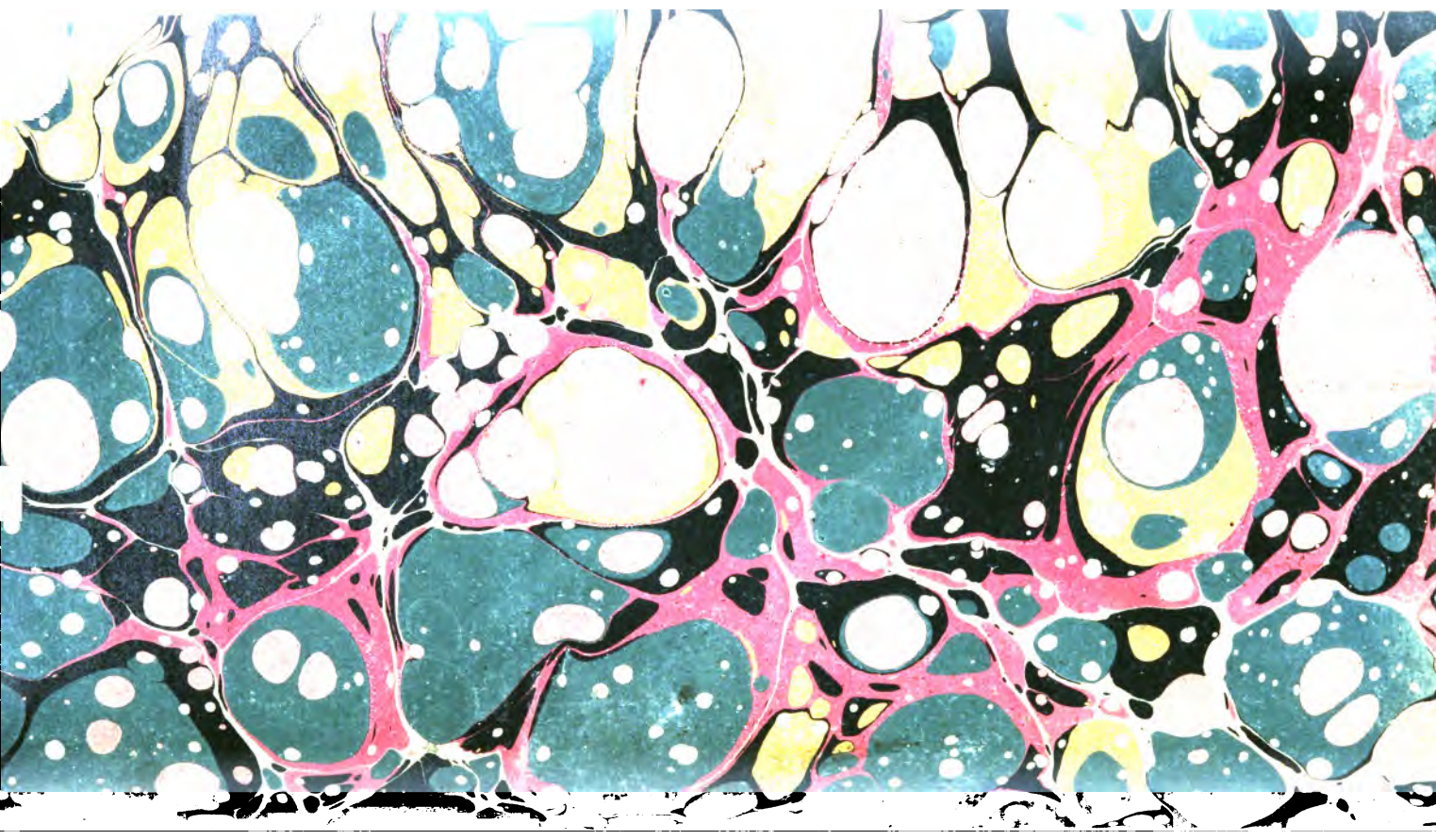
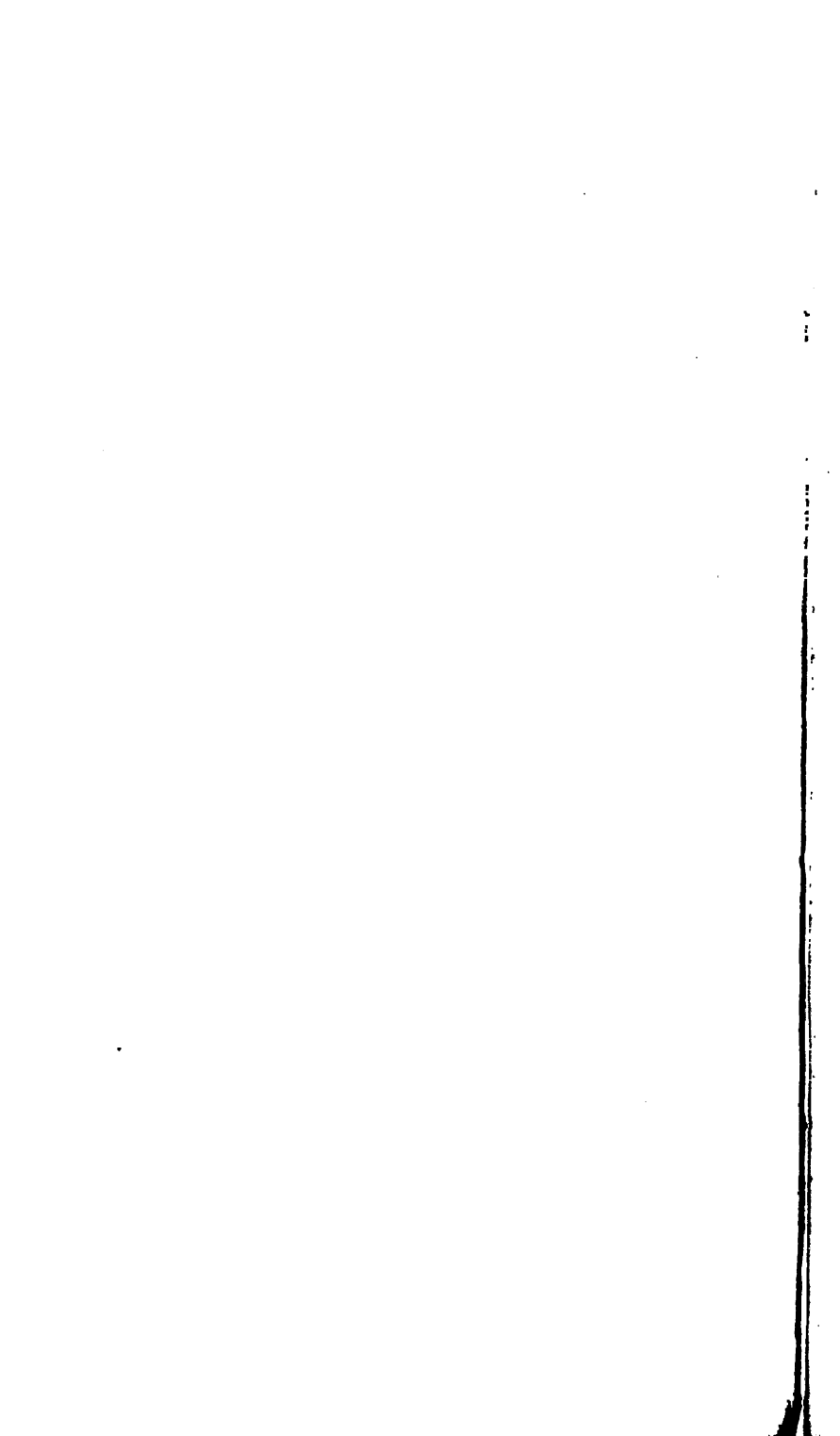
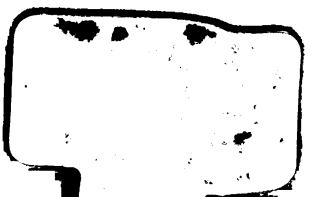
APPENDIX G.

Table of the Rate of Exchange at New York on London, 1821 to 1832.

	1821	1822	1823	1824	1825	1286	1827	1828	1829	1830	1831	1832	1833
January.. 1	3¼			7⅞	9⅜	8¼	11⅞	10⅜	8¼	9½	6⅝	9¾	
8	5⅜			8	10	8¼	11⅞	10¼	8	9⅜	6⅝	9¾	
16	3½			7⅜	10¾	8⅛	11	10½	7½	9	6⅝	9¾	
24	3½			7⅛	10¼	8¼	11	10⅛	7½	8⅞	6⅝	9⅞	
February 1	3⅛			7⅞	9	8¼	10¾	10⅜	8⅜	8⅝	6½	10	
8	4¼			8	8⅝	8⅛	10	10⅛	8¼	8½	6⅝	10⅛	
16	4⅜			8	8⅞	8½	10	10⅜	8½	8⅛	6¼	10⅝	
24	5¼			8½	9	8¼	10⅛	10⅝	8½	8¼	6	9⅞	
March ... 1	5			8½	9	8¼	10⅛	11¼	8⅛	8⅛	6¼	9¼	
8	5			8⅞	8⅞	8¼	10	10⅞	8½	8⅛	6¼	9¼	
16	6¼			9	9⅛	8⅛	10⅛	10⅜	8¼	8	6⅛	9⅜	
24	6⅞			9	9⅛	7⅞	10⅜	10⅞	8¼	8	7	9⅜	
April..... 1	7¼			8⅞	9½	7⅞	10⅛	10⅛	8	8	7⅛	9⅜	
8	7⅛			9	9⅜	8¼	10⅛	10⅞	8¼	8	7⅜	9⅜	
16	7⅛			9	9⅜	9⅛	10	11¼	8⅜	7⅞	8⅛	10⅛	
24	7¼			8¾	8⅞	9¼	10	10½	9⅜	7⅞	8⅜	10⅜	
May..... 1	7¼			8¾	8⅛	9⅜	10	10¼	9⅛	7	9⅜	10⅜	
8	7½			9	7	9⅜	10⅛	10¼	9⅛	7	9⅜	9½	
16	7⅜		4⅛	9⅛	6⅝	9	10⅛	10⅜	9⅛	7	8⅜	9⅜	
24	9¾		4½	9⅞	6	8⅛	11⅛	10⅝	9½	7	7⅜	9⅜	
June..... 1	10		6¼	10	5	9⅛	11¼	10⅝	9⅛	7⅛	7⅜	9⅛	
8	10		7	10	5	9¼	10⅜	10⅞	8⅞	7	9	9⅛	
16	9		6⅛	9	5⅛	10¼	10¼	10⅝	8⅜	6⅞	9⅛	9⅝	
24	9		6½	8⅝	5½	9⅛	10	10⅝	8⅜	6⅝	9⅛	10¼	
July..... 1	9		6	9	5⅞	9¼	10	10⅛	8	6⅛	9⅛	9⅛	
8	9		6¼	9	5½	10⅛	9⅞	10⅝	9	6	10¼	8¼	
16	8⅞		6¼	8⅞	5	10½	9¾	10	9⅛	5¾	9⅞	8	
24	8⅞		6⅛	8½	4⅜	10⅜	9⅝	9½	9⅛	6	9⅞		
August... 1	8⅜		6⅛	8½	4⅛	10¼	9⅞	9⅛	9⅜	6⅛	10		
8	8⅜		6¼	8¼	5¼	10¼	9⅞	9⅛	9⅜	6⅜	10⅛		
16	9		7	8½	5¼	10¼	10⅛	10	9⅜	6⅜	10⅛		
24	9		7	8¾	6¼	11¼	10⅛	10	9⅜	6⅜	10¼		
September 1	9		6¾	9⅛	7¼	12⅛	11	10⅛	9⅜	6⅛	10¼		
8	9		6⅞	9¼	7¼	12¼	11	10¼	9⅜	6	10¼		
16	8⅛		6⅝	9⅜	9¼	12¼	11¼	10⅛	9¼	6	10⅛		
24	8⅛		7	9⅛	10⅜	12¼	11¼	10⅜	9¼	6	10⅛		
October... 1	8⅛		7¼	10⅛	10⅜	12	11	10⅜	9⅜	6¼	10⅛		
8	9		8	11¼	9¼	12	11⅛	10⅜	9⅜	6¼	11		
16	9		8	10⅜	9¼	11¾	11⅛	10⅜	9⅜	7	11		
24	9¾		8	10	9¼	11¼	11⅛	10⅜	9⅛	7½	10½		
November 1	9¾		7½	9½	9¼	11¼	11	10⅜	9¾	7	10		
8	9¾		7	9½	9⅛	11⅛	11⅛	10⅛	9⅛	7	9¾		
16	10		7	9⅛	9⅛	11½	11⅛	10⅛	9⅜	6⅞	9¾		
24	10		7	9½	9	11¾	11¼	10	9⅜	6⅞	9¾		
December 1	11		7⅛	9⅜	8⅛	11⅛	11¼	9⅞	9⅜	6⅞	9¾		
8	12¼		8	9⅜	8¼	11⅛	11⅛	9⅜	9⅜	6½	9¼		
16	12¼		8	9½	8¼	11⅛	11⅛	9⅛	9⅜	6½	9¼		
24	11½		8	9½	8¼	11¾	11⅛	9⅛	9⅜	6½	9¼		
Averages—				9 1/16	8	10 1/16	10⅛	10½	9 1/16	7⅛	8 13/16